SALZGITTER AG
Stahl und Technologie

KEY DATA OF THE SALZGITTER GROUP[1)]

		1996/1997[2)]	1997/1998	1998/1999	1999/2000	SFY[6)] 2000
Crude steel production	kt	4,635	4,928	4,725	5,116	[illegible]
Sales	€ mln	2,762	3,193	2,696	3,291	[illegible]
Steel Production Division	€ mln	1,086	1,295	1,129	1,252	340
Tube Division	€ mln	–	–	–	–	171
Steel Trading Division	€ mln	1,470	1,697	1,393	1,773	423
Raw Materials and Services Division	€ mln	206	201	174	228	57
Industrial Shareholdings Division	€ mln	–	–	–	38	27
Flat rolled products	€ mln	1,582	1,877	1,485	1,901	503
Sections	€ mln	537	563	500	636	159
Tubes	€ mln	8)	8)	8)	39	213
Share of exports	%	45	46	45	49	49
Employees						
Personnel expenses	€ mln	508	552	554	582	212
Workforce, annual average		11,693	11,536	12,349	13,181	17,085
Personnel expenses per employee	k€	43	48	45	44	12
Income from ordinary operations	€ mln	73	147	31	97	[illegible]
Net income for the year	€ mln	45	76	13	70	[illegible]
Balance sheet total	€ mln	1,636	1,778	2,208	2,427	[illegible]
Fixed assets	€ mln	669	644	1,177	1,226	[illegible]
Current assets	€ mln	967	1,134	1,031	1,201	[illegible]
Inventories	€ mln	403	491	458	545	756
Shareholders' equity	€ mln	596	640	900	912	[illegible]
Borrowings	€ mln	1,040	1,138	1,308	1,515	[illegible]
Provisions	€ mln	700	762	971	977	1,953
Liabilities	€ mln	340	376	337	538	534
thereof due to banks	€ mln	8	26	45	207	82
Investments[3)]	€ mln	108	80	150	208	[illegible]
Depreciation and amortization[3)]	€ mln	105	110	166	174	[illegible]
Key figures						
Earnings before interest and tax (EBIT)[4)]	€ mln	98	175	37	110	39
EBIT before depreciation and amortization (EBITDA)[4)]	€ mln	203	285	203	284	89
Return on capital employed (ROCE)[5)]	%	8.8	14.6	3.8	9.5	15.3[7)]
Cash flow	€ mln	140	73	116	114	–5

1) All financial data since 1998/1999 are reported according to IAS and are only comparable to a limited degree with figures from previous years.
2) All data are adjusted to the new Group structure introduced in 1997/1998 and to the changed presentation.
3) Excl. financial assets.
4) EBT excl. net interest through 1997/1998; EBT excl. interest expense (not including the interest component of allocations to pension provisions) from 1998/99.
5) Through 1997/1998, EBIT to sum of shareholders' equity, minority interests, pension and tax provisions, and interest-bearing liabilities; from 1998/1999, EBIT to sum of shareholders' capital, minority interests, tax provisions (excl. deferred taxes) and interest-bearing liabilities.
6) SFY = short fiscal year from October 1 to December 31.
7) Annualized.
8) Not reported separately.

ANNUAL REPORT 2000
SHORT FISCAL YEAR,
OCTOBER 1 TO DECEMBER 31, 2000

SALZGITTER AG
Stahl und Technologie

CONTENTS

PREFACE BY THE EXECUTIVE BOARD

Dear Shareholders,

The three months of a short fiscal year only rarely leave any special mark on the life of a company. Financial figures are soon eliminated from long-term time series, since their comparison value is quite limited.

Nevertheless, there are noteworthy developments to report beyond what is contained in our 1999/2000 Annual Report.

As we predicted, earnings before taxes for the short fiscal year were above the quarterly average for 1999/2000 at €33.9 million. This result is particularly gratifying in light of the usual slowdown in steel production and sales due to the year-end holidays. We are especially pleased that the Tube Division, included here in the scope of consolidation for the first time, has almost reached the break-even point with a loss of €1.5 million. Business has been considerably better than expected at the time of acquisition in the early summer of 2000.

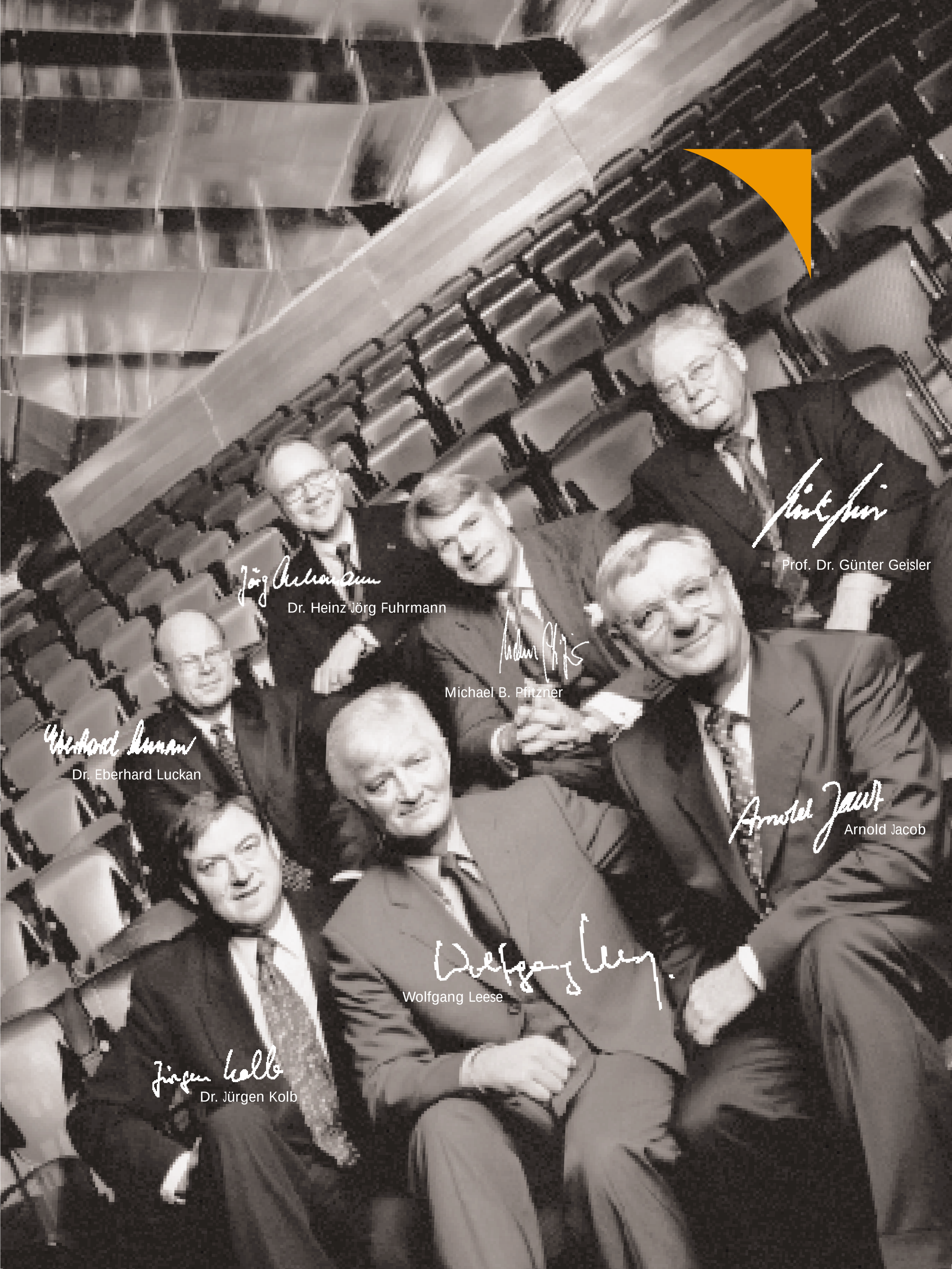
Our most important indicator of success other than earnings, return on capital employed (ROCE), rose to an annualized 15.3%, substantially exceeding our goal of 12%.

Taking advantage of accumulated losses for tax purposes in the previous 1999/2000 fiscal year and the short fiscal year allows us to submit attractive dividend proposals to the Annual Shareholders' Meeting without sapping the Company's substance. Due to our use of the International Accounting Standards (IAS) for the consolidated financial statements, the improvement in our tax position will be clearer in the unconsolidated statements of the Corporation.

The capital market's renewed interest in prudently managed "old economy" companies with both good present yields and demonstrable medium-term growth prospects has further drawn the interest of many investors to Salzgitter AG. Salzgitter's share price again outperformed the industry in the short fiscal year, reconfirming the market's approval of measures undertaken so far as well as support for the future-directed strategy of profit-oriented growth and decentralization of decision-making and accountability in the Salzgitter Group.

The numerous projects involved in the implementation of this strategy continued to advance during the short fiscal year. Our employees and management team are also devoting special attention to the integration of recently acquired companies and to an ongoing process of formulating and implementing measures to improve earnings sustantially. But the journey itself is the goal, and the Salzgitter Group's effectiveness and entrepreneurial independence are our highest priority.

You, our shareholders, customers, and banks, have accompanied our Company as it took significant steps. We have succeeded in reaching important milestones.


Prof. Dr. Günter Geisler
Dr. Heinz Jörg Fuhrmann
Michael B. Pfitzner
Dr. Eberhard Luckan
Arnold Jacob
Wolfgang Leese
Dr. Jürgen Kolb

Let us continue on our chosen path in the company of our employees. Thank you for the trust you have placed in our Company.

Wolfgang Leese

Prof. Dr. Günter Geisler

Dr. Heinz Jörg Fuhrmann

Arnold Jacob

Dr. Jürgen Kolb

Michael B. Pfitzner

CHANGE IN THE FISCAL YEAR

In December 2000, the Special Shareholders' Meeting of December 20, 2000 approved a change in the Company's fiscal year to match the calendar year. The decision was made after acquisition of 99.3% of Mannesmannröhren-Werke AG (MRW), whose fiscal year is the calendar year. In order to prepare future consolidated financial statements, it was necessary either to shift the fiscal year of Salzgitter AG and its subsidiaries to the calendar year or that of MRW and its subsidiaries to the period beginning October 1. Since changing Salzgitter AG's fiscal year would bring tax advantages due to the lower corporate tax rate applicable in fiscal years beginning January 1, 2001, the Executive Board proposed that the fiscal year for Salzgitter AG and its subsidiaries be changed to the calendar year and that a short fiscal year be declared for the period from October 1 through December 31, 2000.

When reading the following description of the Salzgitter Group's business situation and development, it should be kept in mind that the short fiscal year covers a period of only three months and is therefore comparable only to a limited degree with the previous full fiscal year.

For that reason, figures for the period of the report are compared in tables to those for the previous year and in the main text to 1999/2000 quarterly averages or to the corresponding figures for the first quarter of the previous fiscal year.

Comparison value is further limited by a change in the scope of consolidation. Significant consequences are discussed in the Notes to the Consolidated Year-End Financial Statements.

GROUP STRUCTURE

STEEL PRODUCTION

- **SALZGITTER WORKS**
  Flat steel products
- **PEINE WORKS**
  Sections
- **ILSENBURG WORKS**
  Plates

STEEL TRADING

- **SALZGITTER HANDEL**
  (100%)
- **Steel trading Germany**
  19 companies
- **Steel trading Western Europe**
  13 companies
- **Steel trading international**
  10 companies
- **HÖVELMANN & LUEG**
  (95%)
- **UNIVERSAL EISEN UND STAHL**
  (50%)

RAW MATERIALS AND SERVICES

- **PPS Personal-, Produktions- und Serviceg.**
  Services (100%)
- **Verkehrsbetriebe Peine-Salzgitter**
  Rail transport (100%)
- **DEUMU**
  Raw material supply (100%)
- **GESIS**
  Information technology (100%)
- **TELCAT**
  Telecommunications equipment (100%)
- **PEINER AGRAR- & HÜTTENSTOFFE**
  Secondary materials trading (100%)
- **GLÜCKAUF**
  Housing property management (100%)
- **HANSAPORT**
  Port operation (51%)
- **BURWITZ**
  Firing construction (26%)

TUBES

MANNESMANNRÖHREN-WERKE AG (99,3%)

Vallourec
Steel pipes (21%)

Vallourec & Mannesmann
Seamless tubes (45%)

Hüttenwerke Krupp Mannesmann
Slabs and round casting (20%)

DMV STAINLESS
Stainless steel tubes (33 1/3%)

MHP Mannesmann Präzisrohr
Precison tubes (100%)

Mannesmannring Sachsen
Roller bearing rings (100%)

Wälzlagerrohr
Roller bearing tubes (100%)

Mannesmann Line Pipe
Line pipes (100%)

Röhrenwerk Gebr. Fuchs
Line pipes (50%)

Europipe
Large-diameter pipes (50%)

Mannesmannröhren Mülheim
Plates, elbows (100%)

Mannesmann Forschungsinstitut
Research and development (100%)

Mannesmannröhren Service
Services (100%)

Borusan Mannesmann Boru
Welded pipes (23%)

INDUSTRIAL SHAREHOLDINGS

HSP HOESCH SPUNDWAND UND PROFIL (100%)

SALZGITTER BAUELEMENTE
Construction systems (100%)

WESCOL GROUP
Steel construction (26,2%)

SALZGITTER EUROPLATINEN
Automotive (100%)

SALZGITTER AUTOMOTIVE ENGINEERING (74,7%)

OSWALD HYDROFORMING
Automotive (24,9%)

STEEL DYNAMICS
Minimill (12,6%)

Salzgitter Magnesium-Technologie
Magnesium sheets (100%)

INVESTORS AFFAIRS

The Capital Market and the Salzgitter Share Price

The Salzgitter share price entered the short fiscal year on October 2 at €8.00 in an unfavorable market climate for steel industry shares. As early as mid-calendar-year in the U.S. and somewhat later in Europe, analysts had predicted a slowdown in the global steel market. Subsequently, European steel industry share prices fell precipitously from mid-year, bottoming out in October.

Since mid-August, however, Salzgitter's share price had bucked the general downward trend of steel shares. During the final weeks of the fiscal year, the positive trend strengthened, so that Salzgitter's final share price on the Frankfurt trading floor reached €8.90 on December 29, 2000.

A general year-end recovery was seen in European steel industry shares, in part on technical grounds, but also in consequence of a renewed concern for fundamentals.

The rise in Salzgitter's share price in the final weeks of the year was accompanied by a marked increase in trading volumes. Whereas average daily trading on German exchanges during October and November was on the order of 15,000 shares, trading rose in December to over 56,000 shares per day. In all, 1.7 million Salzgitter shares changed hands during the 2000 short fiscal year.

Investor Relations

We attribute the generally favorable trend in Salzgitter's share price in part to our strenuous efforts to keep the capital market informed during the second half of the year: In November, Salzgitter AG presented information on its acquisition of Mannesmannröhren-Werke AG to the general public for the first time at investor conferences in London and Frankfurt. On December 13, upon publication of key 1999/2000 earnings figures, international analysts were invited to Mülheim an der Ruhr, where we introduced the Mannesmannröhren-Werke and its subsidiaries and shareholdings with a presentation and tour of the Europipe large-diameter pipe plant and of Vallourec & Mannesmann's seamless tube production facility. The response to these events was extremely positive, and we expect the latest steps in the Salzgitter Group's strategic development to be reflected in a rising share price.

Dividends

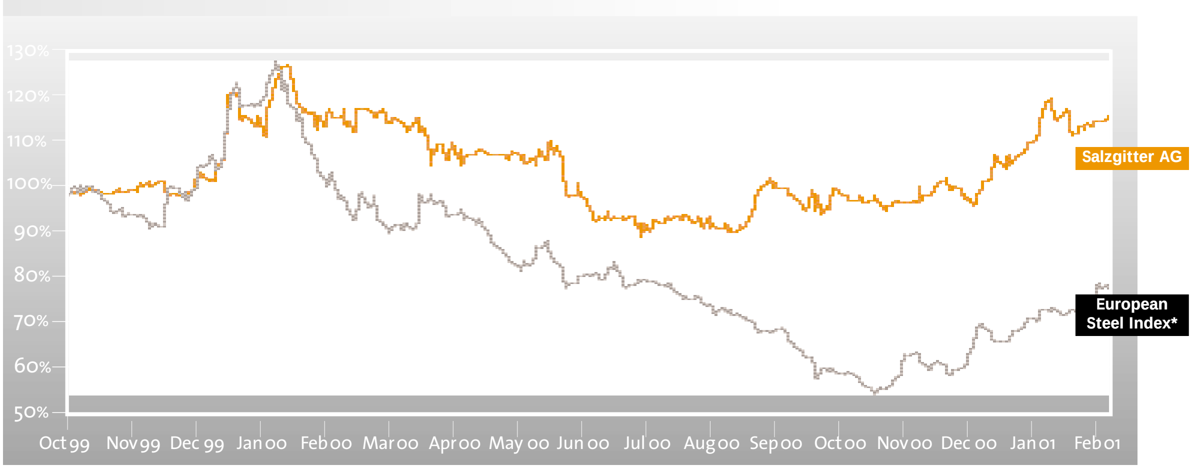
The Executive and Supervisory Boards propose that the Shareholders' Meeting approve payment of a dividend of €0.15 per share for the 2000 short fiscal year. No tax credit can be granted, since the appropriation will be made from tax-exempt foreign income. With nominal share capital of roughly €159.5 million, the amount of the proposed distribution comes to €9.36 million. Based on Salzgitter's share price of €8.90 on December 29, 2000, this corresponds to an annualized dividend yield of 6.7%.

Tax calculation:	**€/Share**
Cash dividend	0.11
Withholding, surtax credit	0.04
Net dividend	0.15
Corporate tax credit	0.00
Gross dividend	0.15

Information for investors:

Share capital:
€159,523,066.93 consisting of 62,400,000 ordinary shares
Class of shares:
Ordinary bearer shares
High for the period:
€8.90
Low for the period:
€7.75
Cash price per share, 12-31-2000:
€8.90
Market capitalization, 12-31-2000:
€555 million
Cash earnings/share:
€0.21
Distribution ratio:
74.1%

Salzgitter AG Share Price Compared to European Steel Index*
since 10-1-99



*Source: Datastream

GROUP MANAGEMENT REPORT: ECONOMIC SITUATION

Development of Economy and the Steel Market

Higher oil prices and the subsequent worldwide economic sluggishness had a noticeable effect in the fall of the year. In the U.S., especially, growth has slowed in part due to a distinctly restrictive monetary policy. In the Euro zone, the economy grew less vigorously in the last quarter of the year, although foreign trade continued to have enlivening effects. Gross domestic product growth slowed to 0.7% in the fourth quarter. In Germany, too, signs of economic cooling multiplied. High oil prices reduced household purchasing power and noticeably worsened the terms of trade for manufacturers. Economic growth was also affected by the smaller number of workdays in the last quarter compared to the previous year.

Exports were the motor of growth through the end of 2000. Manufacturing output rose steadily. Construction, on the other hand, failed to rise from the doldrums. Nevertheless, overall production in the German economy again rose in the final months of 2000.

Slowing growth in Germany and in the European Union, along with the manifest braking effect of the state of the U.S. economy, have not failed to affect the steel market. Steel consumption in the European Union (EU) remained high, but growth declined at the end of the year. On steel markets in Asia and the U.S., the reversal of trends in prices and inventories which began in the summer continued with distinct corrections. European markets remained largely untouched by these changes in the fourth quarter. Cyclical inventory effects, sharply increased rolled steel imports from third countries, and declining prices on world markets along with a faltering dollar exchange rate, however, led to a reversal of price trends for flat steel products throughout Europe by the end of the year.

Developments on the steel pipe market were very different from those in the area of rolled steel. As a consequence of sustained higher oil prices, exploration activity increased, and with it demand for oil and gas tubulars as well as line pipe, strongly boosting prices for these products.

Divisions

Steel Production

Thanks to the relatively good state of the steel market at the end of the 1999/2000 fiscal year, the Steel Production Division’s business continued to develop favorably during the 2000 short fiscal year. Production remained at a nearly unchanged high level; prices improved on rolled steel, leading to higher sales revenues even as shipment volumes declined; and profits rose in comparison to the previous year’s average.

New orders for rolled steel products again rose against the final months of the previous fiscal year, but declined against the average of the past twelve months. At 0.97 million t, volume was some 0.18 million t (15.3%) below that of the same quarter of the previous year. The order backlog for rolled steel products declined marginally from 0.97 million t at the beginning of the short fiscal year to 0.95 million t at its end.

SZAG Production

in kt	SFY 2000	1999/2000	1998/1999	1997/1998
Large-diameter pipes and trapezoidal sheets [1]	29	49	114	151
Surface coated sheets	249	739	853	837
Sheets	76	494	367	420
Plates	210	806	753	825
Hot rolled coils, steel strip	249	1,208	1,065	1,183
Heavy sections	309	1,298	1,155	1,147
Crude steel	1,272	5,116	4,725	4,928
Pig iron	941	3,710	3,489	3,673

[1] Excl. trapezoidal sheets from April 2000.

Crude steel production

kt/month	Worldwide	EU (15)	Germany	thereof: SZAG
1995	62,696	12,980	3,504	378
1996	62,510	12,217	3,316	343
1997	66,581	13,316	3,751	391
1998	64,696	13,326	3,671	394
1999	65,644	12,937	3,505	414
2000	69,039	13,591	3,864	429

Crude steel production reached 1.27 million t, some 30 kt (2.4%) higher than in the first quarter of the 1999/2000 fiscal year.

At 1.03 million t (same quarter previous year: 1.07 million t), shipments of rolled steel and processed materials were down 3.7%, with different products declining to varying degrees. Hot rolled coils/steel strip and section products performed weakly (-23.6% and -7.7% respec-tively) due to seasonal factors, whereas performance was very strong for organically coated sheet (+174.3%), for which a second facility was brought on line, and for large-diameter pipes (+780.5%) thanks to a large new order.

Conversely, the division's sales revenues rose by 18.4% against the same quarter of the previous year to €0.45 billion, as net proceeds were successfully increased for both rolled steel shipments and for processed materials. Higher unit revenues were more than sufficient to offset the negative effects of declining volumes.

Sales and profit from this division and those covered below will be further examined in the context of the Group as a whole (cf. section "Sales and Profits").

The following table provides key figures of the Steel Production Division.

Steel production

		SFY 2000	1999/2000
Crude steel production	kt	1,272	5,116
LD steel	kt	1,036	4,096
Electric steel	kt	236	1,020
Shipments	kt	1,030	4,475
Rolled steel	kt	990	4.326
Processed materials	kt	40	149
Sales	€ mln	450	1.724
EU	€ mln	402	1.566
Third countries	€ mln	48	158
Internal sales 1)	€ mln	110	472
External sales 2)	€ mln	340	1,252
Total operating performance/ other operating income	€ mln	525	1,893
Cost of materials	€ mln	248	912
Personnel expenses[4)]	€ mln	82	297
Other operating expenses	€ mln	122	421
Depreciation/amortization	€ mln	37	150
Net interest expense [4)]	€ mln	-11	-38
Division income before tax [4)]	€ mln	25	75
Investments [3)]	€ mln	32	169
Total workforce	At	7,279	7,222
Core workforce	12-31/9-30	7,249	7,192
Wage labor		5,455	5,415
Salaried employees		1,794	1,777
Apprentices, students, trainees		30	30
EBIT [4)]	**€ mln**	**30**	**84**
EBITDA [4)]	**€ mln**	**67**	**234**

SFY: Short fiscal year from October 1 through December 31.
[1)] Sales to other Group Divisions.
[2)] Contribution to Group external sales.
[3)] Excl. financial investments and increases from merger.
[4)] After reallocation of holding costs.

Tubes

In June 2000, the supervisory bodies of Salzgitter AG and Mannesmann AG approved a contract by which Salzgitter AG and one of its subsidiaries acquired 99.3% of Mannesmannröhren-Werke AG (MRW). Once antitrust approval and other requirements were secured at the beginning of the new fiscal year (short fiscal year 2000), the deal was consummated with the legal transfer of shares on October 9, 2000. This shareholding is therefore included for the first time in the year-end financial statements at December 31, 2000.

The MRW Group, whose fiscal year is the calendar year, will be consolidated for the first time in our short fiscal year for October 1 through December 31, 2000.

The newly acquired Mannesmannröhren-Werke AG constitutes a new division of the Salzgitter Group. After the planned reorganization of the Salzgitter Group, the "Tube" Division will continue to operate as such.

With the steel pipe industry as a whole in substantially better shape than in 1999, the MRW Group's situation has developed favorably in the 2000 fiscal year. Sustained higher oil and gas prices and growth in the automotive industry and mechanical engineering have led to a revival in demand for steel pipe, starting in the United States, and to a 5% increase in steel pipe production in the western world over 1999. Seamless tube production rose 25% and that of small welded tubes 6%. Production of large-diameter pipe, on the other hand, has not yet recovered, but fell by 24%.

Mannesmannröhren-Werke received new orders worth €383 million in the fourth quarter of 2000, mostly in the form of large project bookings with Europipe in December. The order backlog at the end of December was some €475 million. Unconsolidated sales reached €173 million in the fourth quarter, some 20% below the previous quarters due to postponement of large-diameter pipe projects until next year.

The following table provides key figures of the Tube Division.

Tubes

		SFY 2000
Sales	€ mln	173
Internal sales [1]	€ mln	2
External sales [2]	€ mln	171
Total operating performance other operating income	€ mln € mln	191
Cost of materials	€ mln	131
Personnel expenses	€ mln	56
Other operating expenses	€ mln	22
Depreciation and amortization	€ mln	6
Net interest expense	€ mln	-7
Income from shareholdings	€ mln	30
Division income before tax	€ mln	-1.5
Total workforce	At	4,042
Core workforce	12-31	3,960
Wage labor		2,695
Salaried employees		1,265
Apprentices, students, trainees		82
EBIT	**€ mln**	**0.2**
EBITDA	**€ mln**	**6.6**

SFY: Short fiscal year, October 1 through December 31.
[1] Sales to other Group divisions.
[2] Contribution to Group external sales.

Since the MRW Group is included in Salzgitter's reporting here for the first time, the performance of various segments of the new division in the 2000 fiscal year will be described in greater detail below.

New order volume for hot rolled seamless tubes at the unconsolidated VALLOUREC & MANNESMANN TUBES continued to be high in the fourth quarter. Orders in 2000 were 41% above the previous year's level. The very high oil price, which fell back below the $30/b mark only in December, led to high oil and gas tubular orders in the United States, the Middle East, and Southeast Asia. Demand for commercial and product tubing and for loops for wire-drawing plants in mechanical engineering and automobile production also remained high. Price increases were achieved for some products. Seamless tube shipments in 2000 amounted to 2,077 kt, 39% more than in the previous year. In Brazil, after a difficult 1999, economic recovery continued in the last quarter of 2000. These favorable developments were reflected in the industries of V&M BRASIL's pipe customers. Shipments in 2000 grew by 42% over the previous year, with growth occurring in all sectors (oil, gas, automotive, commercial).

New precision tube orders were 3% higher in 2000 than in the year before. Seamless precision tube volumes grew by 29%, while welded precision tubes declined by 19% due to a product line adjustment. Orders in recent months have been dominated by long-term contracts for major customers in the still busy auto industry and its suppliers for the first half of 2001. Order volumes from customers in the mechanical engineering and trade sectors and in plant manufacturing remain high. We have achieved moderate price increases for direct sales in recent months. Precision tube shipments declined by 10% from the previous year to 163,000 t, primarily due to renewed focus on the core business areas of cold-drawn seamless and welded tubes.

Demand for line pipes at Mannesmann Line Pipe GmbH and Röhrenwerk Gebr. Fuchs GmbH was significantly higher than last year. New orders in 2000 grew by 21% over the previous year, although shipments declined by 23% from the previous year to 318 kt.

The year 2000 was the worst in Europipe's history for large-diameter pipes: at 678 kt, shipments were 30% below the previous year's figure, while sales prices were highly unsatisfactory.

At the end of 2000, however, the market for large-diameter pipes experienced a distinct recovery, largely in consequence of higher oil and gas prices. With demand brisk and delivery terms tight, not all orders could be accepted. At 1,212 kt, Europipe's new order volume in 2000 was 81% higher than the figure for the relatively slow previous year. Large orders from the United States (456 kt) and Russia (104 kt) in the fourth quarter played a key role. Trends were favorable not only in terms of volumes, but also of revenues.

These favorable trends are expected to continue in 2001 in the pipe markets mentioned, although high energy prices are increasingly likely to lead to a slowdown in other sectors, and growth rates in the United States and the euro countries are likely to be lower. Demand for pipes from the energy sector (especially oil and gas tubulars along with seamless, welded, and large-diameter pipes for pipeline construction) is expected to continue to grow, and despite a strengthening euro, a euro-to-dollar exchange rate favoring exports will support demand for tubes from the automobile industry and mechanical engineering.

In connection with the Tube Division, it should be noted that a strategic objective for Salzgitter AG's processing activities is to strengthen and develop the automotive sector. Subsidiaries and affiliates in the automotive sector are held directly by Salzgitter AG.

For this reason, Salzgitter AG acquired a 100% shareholding in MHP Mannesmann Präzisrohr Holding GmbH (MHP-Holding), previously held by MRW, on November 14, 2000; the company has since merged with Salzgitter AG. Salzgitter AG now directly holds interests in MHP Mannesmann Präzisrohr GmbH, Mannesmann Line Pipe GmbH, Form Tec GmbH Umformtechnik, MHP Mannesmann Presné Trubky, and Robur Buizenfabriek B.V.

The merger also provides tax advantages.

Steel Trading

The international steel market was very contrasting during the three months of the short fiscal year. In Western Europe, overall demand remained strong and stable and reasonable prices were attained, whereas third-country markets were lifeless. Trends from the last fiscal year thus continued in third-country markets; excess inventories and threatened antidumping measures, especially in North America and to some extent in Southeast Asia, led to a sharp fall in demand.

Domestically, economic activity relevant to steel trading also slowed last fall. New orders in the fall months remained below the level of previous months. Construction activity, of key importance for steel trading, remained at the low level of the summer months. Housing starts again declined. Against this background, warehouse sales in overall domestic steel trading declined from the previous year, whereas average inventories rose.

In consequence of worsening market conditions, total shipments fell short of the figure for the same quarter of the previous year. Total sales revenues, thanks to generally higher prices, where higher than last year’s figures for the same period. Shipments declined from 1.05 million t to 0.93 million t. The Trading Group’s total sales revenues rose from €381 million during the previous year to €411 million.

In domestic trading, activities were merged into the new company Salzgitter Stahlhandel GmbH, Düsseldorf as of October 1, 2000. The former companies in Hanover, Gladbeck, and Mannheim now legally and organizationally constitute a single steel trading company. This company shipped 376 kt during the short fiscal year, some 38 kt below the figure for the same quarter of the previous year. Sales revenues were equal to the previous year’s figure at €174 million. Despite declining shipments, the sales revenue was maintained thanks to higher average prices than in the same quarter of the previous year.

Within a deteriorating national economy, the Company's activities were facing a falling market, i.e. selling prices declined during the course of the short fiscal year, whereas purchasing prices for flat products continued to rise to a certain extent. Price trends led to hesitation among buyers, the more so as inventories remained high.

The Dutch steel trading companies succeeded in overcoming the stagnating shipments. In comparison to preceding months, shipments began to rise again during the short fiscal year. The continuing strong economy in the Netherlands had a positive effect on sales revenues, so that the €23 million figure of the same quarter of the previous year was exceeded by €25 million. Nevertheless, shipments declined against the comparison period, from 64 kt to 59 kt.

Salzgitter International’s trading business fared worst from the international market situation. Deteriorating prices for slabs, sections, hot rolled coils, cold rolled and galvanized sheets reached critical dimensions. Demand fell noticeably in almost all markets except Africa and Iran. Salzgitter Trade Inc. in Vancouver was especially hard-hit by the saturated state of the North American market. Overall, trading achieved shipments of 490 kt, a decline of 70 kt against the same quarter of the previous year. Sales revenues, thanks to a changed product mix, exceeded the previous year's figure at €211 million.

Hövelmann & Lueg achieved total shipments of some 40.2 kt and sales revenues of €16.8 million during the short fiscal year, also exceeding the sales revenue figure for the same period of the previous year (approx. €14.8 million).

The following table provides key figures of the Steel Trading Division.

Steel Trading

		SFY 2000	**1999/2000**
Sales	€ mln	428	1,881
Salzgitter Trading Group	€ mln	411	1,811
Hövelmann & Lueg	€ mln	17	70
Internal sales [1]	€ mln	6	108
External sales [2]	€ mln	422	1,773
Division income before tax	€ mln	-2.8	17.5
Salzgitter Trading Group	€ mln	-2.8	11.8
Hövelmann & Lueg	€ mln	0.4	2.9
Unconsolidated companies	€ mln	-0.4	2.8
Total workforce	At	1,749	1,764
Core workforce	12-31/9-30	1,661	1,673
Salzgitter Trading Group		1,483	1,493
Hövelmann & Lueg		178	180
Apprentices, students, trainees		88	91
Inventories	€ mln	189	162
EBIT	**€ mln**	**1.3**	**30.9**
EBITDA	**€ mln**	**3.7**	**40.3**

SFY: Short fiscal year, October 1 through December 31.
[1] Sales within the Division and to other Group companies.
[2] Contribution to Group external sales.

In order to strengthen the trading and steel service center operations in line with its growth strategy, Salzgitter AG has acquired a 50% shareholding in Robert S.A., Le Thillay, and its three subsidiaries. The Robert Group, one of the largest steel service center enterprises in France, operates four steel service centers in the Paris and Lyon areas. This investment will significantly improve Salzgitter AG's market position and shipments in France.

Once antitrust approval and other contractual requirements were secured, the deal was consummated through the legal transfer of shares on January 30, 2001. This shareholding is therefore not included in the year-end financial statements at December 31, 2000.

Raw Materials and Services

This Division comprises the companies DEUMU Deutsche Erz- und Metall-Union GmbH, PPS Personal-, Produktions- und Servicegesellschaft mbH, Verkehrsbetriebe Peine-Salzgitter GmbH, GESIS Gesellschaft für Informationssysteme mbH, Hansaport Hafenbetriebsgesellschaft mbH (51%), telcat multicom gmbh and its subsidiary telcat Kommunikationstechnik GmbH, and “Glückauf” Wohnungsgesellschaft mbH. The Division also includes the unconsolidated Peiner Agrar- und Hüttenstoffe GmbH and various unconsolidated minority interests.

The companies in this Division are engaged in a broad range of activities, primarily providing services for the Group. To a growing extent, they also offer their infrastructure and expertise to businesses outside the Group, earning additional revenues, and boosting the Group’s profits.

The consolidated portion of the Raw Materials and Services Division attained gross sales of approx. €139 million in the short fiscal year.

Sales outside the Group amounted to €57 million, or 41.0% of total sales for the short fiscal year, roughly the same as the figure for the previous year (44.0%).

The following table provides key figures of the Raw Materials and Services Division.

Raw Materials and Services

		SFY 2000	1999/2000
Sales	€ mln	139	518
DEUMU	€ mln	72	244
PPS	€ mln	27	107
telcat Group	€ mln	8	48
VPS	€ mln	16	64
Other companies	€ mln	16	55
Internal sales [1]	€ mln	82	290
External sales [2]	€ mln	57	228
Division income before tax	€ mln	3.4	23.1
DEUMU	€ mln	0.2	0.7
PPS	€ mln	0.4	3.9
telcat Group	€ mln	0.4	1.8
VPS	€ mln	0.5	7.4
Other companies incl. unconsolidated companies	€ mln	1.9	9.3
Total workforce	At	4,169	4,198
Core workforce	12-31/9-30	3,544	3,566
DEUMU		269	275
PPS		1,884	1,898
telcat Group		382	385
VPS		763	761
Other companies		246	247
Apprentices, students, trainees		625	632
EBIT	**€ mln**	**5.2**	**25.2**
EBITDA	**€ mln**	**7.9**	**35.6**

SFY: Short fiscal year, October 1 through December 31.
[1] Sales within the Division and to other Group companies.
[2] Contribution to Group external sales.

Industrial Shareholdings

This Division is dominated by HSP Hoesch Spundwand and Profil GmbH (HSP). HSP is the only consolidated company with active business in this Division. In the 1999/2000 fiscal year, HSP was only included in Salzgitter AG's annual financial statements for the period from June 1 through September 30, in accordance with IAS.

HSP was acquired by a contract dated May 30, 2000. Its business performance continued to be favorable in the short fiscal year.

New orders were some 13% higher than in the same quarter of the previous year. Besides sheet pilings, HSP's main product, the share of shipbuilding sections in HSP's output expanded significantly during the short fiscal year.

Output was 19% higher than in the comparison period, October through December 1999. In both periods, production was affected by work stoppages for equipment upgrades.

Shipments were likewise some 19% above the comparison period, with domestic shipments accounting for approx. 55%.

HSP was profitable on sales of €31.4 million (same quarter previous year: €26.1 million).

A new €8 million continuous finishing shop was brought on line during the short fiscal year. HSP will round out its extensive upgrade program with an €18 million investment in two rolling stands to be delivered during the 2001 fiscal year.

Pursuant to the existing social plan, HSP's workforce was reduced by a further 24 employees to a new total of 592.

The following table provides key figures of the Industrial Shareholdings Division.

Industrial Shareholdings

		SFY 2000	1999/2000
Sales	€ mln	31	43
Hoesch Spundwand und Profil	€ mln	31	43
Internal sales [1]	€ mln	4	5
External sales [2]	€ mln	27	38
Division income before tax	€ mln	0.5	-2.4
Hoesch Spundwand und Profil	€ mln	0.6	0.9
Unconsolidated companies			
Europlatinen Holding	€ mln	-	-0.3
Wescol Group	€ mln	-0.1	-3,0
Total workforce	At	592	616
Core workforce	12-31/9-30	565	589
Hoesch Spundwand und Profil		565	589
Apprentices, students, trainees		27	27
EBIT	**€ mln**	**0.8**	**-2.0**
EBITDA	**€ mln**	**2.9**	**1.8**

SFY: Short fiscal year, October 1 through December 31.
[1] Sales to other divisions within the Group.
[2] Contribution to Group external sales.

This Division also includes a newly established company. At the end of the short fiscal year, Salzgitter AG's several years of magnesium sheet development activities culminated in the establishment of a new wholly-owned subsidiary, Salzgitter Magnesium-Technologie GmbH.

This technology company's objective is the development, production, and distribution of high-quality magnesium flat products, including related services. Salzgitter AG's medium-range goal is to establish a further, innovative light-construction material alongside steel on the European market, cementing its position as a future-oriented materials and technology partner.

This company is not included in the present scope of consolidation.

Sales and Profits

Total sales of the Group reached €1.0 billion during the short fiscal year, some 24% over the previous year's quarterly average of €0.8 billion. The inclusion of Mannesmannröhren-Werke and its subsidiaries and affiliates (the MRW Group) for the first time accounts for the bulk of this growth (€0.2 billion).

Inclusion of the MRW Group in the scope of consolidation as the Tube Division also influenced the percentage sales contributions of the other Divisions. The Steel Trading Division again accounted for the largest portion with 42% (previous year: 54%). It reported sales of €0.42 billion, 5% lower than last year's quarterly average of €0.44 billion. At €0.34 billion, the Steel Production Division accounted for 33% of total sales (previous year: 38%). It should also be noted that Steel Production additionally delivered approximately €0.1 billion to Steel Trading. The Tube Division contributed €0.17 billion (17%) to Group sales. The Raw Materials and Services Division, with the same €0.06 billion as last year's quarterly average, contributed 5% (previous year: 7%). As last year, the consolidated HSP Hoesch Spundwand und Profil GmbH accounted for all of the Industrial Shareholdings Division's €0.03 billion in sales (3%, previous year: 1%).

Consolidated Sales by Divisions

€ mln	SFY2000	1999/2000
Steel Production	340	1,252
Tubes	171	-
Steel Trading	423	1,773
Raw Materials and Services	57	228
Industrial Shareholdings	27	38
Group	**1,018**	**3,291**

Some 72% of sales were made in the EU, the Group's most important target market. Do-mestic sales revenues amounted to €0.5 billion. International sales amounted to €0.5 billion, corresponding to 49% of total sales (previous year: 49%).

Consolidated Sales by Regions

€ mln	SFY 2000	1999/2000
Germany	525	1,690
Other EU countries	212	704
Other Europe	65	171
America	65	286
Other regions	151	440
Group	**1,018**	**3,291**

Earnings from ordinary operations before tax (EBT) reached €33.9 million, exceeding the previous year's quarterly average of €24.3 million.

Steel Production earnings improved markedly at €25.0 million (previous year quarterly average: €18.7 million). The Tube Division reported a small loss of €1.5 million, less than originally expected for this time period. The Steel Trading Division reported a loss of €2.8 million due to unfavorable market conditions in December and the effects of LIFO inventory valuation. At €3.4 million, the Raw Materials and Services Division's profit was less than the previous year's corresponding quarterly average. It should be noted, however, that the previous year's earnings were affected by various extra-ordinary circumstances. The Industrial Shareholdings Division contributed €0.5 million to the Group's profit figure.

Including deferred taxes under IAS accounting standards, tax expenses amounted to €21 million. Losses brought forward for tax purposes in the 1999/2000 fiscal year and the 2000 short fiscal year resulting from the merger of MHP Mannesmann Präzisrohr Holding GmbH with Salzgitter AG on October 1, 2000 resulted in deferred taxes of €35 million, not affecting cash flow, for the short fiscal year. After deducting corporate tax on 1999/2000 fiscal year dividend payments, an expense of the previous year, commercial-law tax expense was €18 million. This amount corresponds to the reduced tax liability due to loss carryforwards. The final result of these components was a higher tax burden, and correspondingly lower consolidated net income of €12.6 million.

Profits by Divisions and Consolidated Net Income for the Year.

€ mln	**SFY 2000**	**1999/2000**
Steel Production [1]	25.0	74.7
Tubes	-1.5	-
Steel Trading	-2.8	17.5
Raw Materials and Services	3.4	23.1
Industrial Shareholdings	0.5	-2.4
Other/consolidation	9.3	-15.6
Division profits	**33.9**	**97.3**
Income from ordinary activities	33.9	97.3
Taxes	21.3	27.2
Consolidated net income [2]	**12.6**	**70.1**

[1] After adjustment of holding costs.
[2] Incl. mlnority interests.

Employees

The Salzgitter Group's workforce, including the consolidated companies of Mannesmannröhren-Werke AG, stood at 16,979 on December 31, 2000. The Steel Production Division employed 7,249, Tubes 3,960, Trading 1,661, Services 3,544, and Industrial Shareholdings (within the scope of consolidation) 565 people. There were 852 trainees in apprenticeship programs.

Workforce growth is due solely to the new consolidation of the MRW Group.

Pursuant to the goal of Group employee equity ownership, employees were offered 20 free shares in Salzgitter AG. The associated total value of approx. €256 per employee represents an integration bonus for all qualifying employees, including those of MRW, and is offered in recognition of the challenges to be overcome in bringing the two companies together. Response to the Executive Board's decision was very positive.

Negotiations with the Group Works Council on implementation of a transparent employee share ownership plan are nearly complete. Reorganizing the pension plan has reduced the Company's costs while also closing gaps in pension benefits. Profit sharing provides both an incentive to improve performance and motivation and an opportunity to share in the Company's success. This is accomplished through a stock savings plan, which provides new material opportunities for employees and encourages closer identification with the Company.

Each company in the Salzgitter Group implements the Group master collective agreement by means of a shop collective agreement.

Development of the Core Workforce in the Divisions Changed as Follows:

Division	12-31-00	9-30-00	Change
Steel Production	7,249	7,192	57
Tubes	3,960	-	3,960
Steel Trading	1,661	1,673	-12
Raw Materials and Services	3,544	3,566	-22
Industrial Holdings	565	589	-24
Group	**16,979**	**13,020**	**3,959**

Goal-setting discussions, initiated last year with members of the management team, have been systematized and methodically refined. From the first round, it was clear that the project facilitates intensified individual alignment with the Company's goals while promoting entrepreneurial and results-oriented action by individual managers.

Regular goal-setting and review improves the leadership and communication process, heightens sensitivity to priorities in task-setting, and provides material incentives by linking bonuses to success and profit-oriented requirements.

Investments

The Salzgitter Group's ongoing investment program during the short fiscal year was essentially shaped by Salzgitter AG's internal growth strategy. Consolidated investments by the MRW Group (the Tube Division) are included in the reported total figures for October 1 through December 31, 2000.

Total investments, for the first time including consolidated figures of the MRW Group (investments of €31 million), came to €73 million (previous year: €239 million), including fixed asset additions of €49 million and financial investments of €24 million.

Investments thus equaled depreciation at €50 million.

Of the investments in property, plant, equipment and intangible assets in the short fiscal year, the Steel Production Division accounted for €32 million, Steel Trading €2 million, Raw Materials and Services €3 million, and Industrial Shareholdings (still consisting only of investments by HSP Hoesch Spundwand und Profil GmbH) €4 million. The Tube Division reported investments in the amount of €8 million.

Investments/Depreciation [1] [2]

€ mln	Investments		Depreciation	
	Total	of which Steel Production	Total	of which Steel Production[4]
1995/1996 [3]	147	134	95	80
1996/1997 [3]	108	88	105	89
1997/1998	80	65	110	95
1998/1999	150	130	166	148
1999/2000	208	169	174	150
SFY 2000	49	32	50	37
Group	**742**	**618**	**700**	**599**

[1] Excl. financial investments.
[2] According to IAS as of 1998/1999.
[3] Considering the altered scope of consolidation as of 10-1-1997.
[4] In the fiscal years 1995/1996–1997/1998 incl. depreciation reported under other operating expenses (corresponding releases of special reserves with an equity portion are offset).

Investments in Property, Plant and Equipment [1)]by Divisions

€ mln	SFY 2000	1999/2000
Steel Production	32.4	169.2
Tubes	8.0	-
Steel Trading	2.5	5.4
Raw Materials and Services	2.8	23.2
Industrial Shareholdings	3.6	10.5
Group	**49.3**	**208.3**

Depreciation and Amortization of Fixed Assets [1)]by Divisions

€ mln	SFY 2000	1999/2000
Steel Production	36.5	150.2
Tubes	6.4	-
Steel Trading	2.3	9.4
Raw Materials and Services	2.8	10.4
Industrial Shareholdings	2.2	3.9
Other/consolidation	0.1	0.2
Group	**50.3**	**174.1**

[1)] Incl. intangible assets.

In the Steel Production Division, major investment activities included continuation of the hot-dip galvanizing line 2, whose new heating and cooling concept will allow production of new types of steel, and the quality offensive at the Salzgitter hot rolling plant. Further, significant new equipment was acquired as part of preparations for construction component production and, in the sections product area, for the new second continuous casting plant.

Investments in the Tube Division are aimed primarily at further quality improvements. For example, retrofitting the four-high stand in Mülheim for more accurate thickness control in the roll gap makes it possible to achieve closer thickness tolerances in accordance with customer requirements.

Through the investments described above in these divisions and through other investments in the remaining divisions, the Company as a whole will be still better able to meet the requirements of the market.

GROUP MANAGEMENT REPORT: ANNUAL FINANCIAL STATEMENTS

Accounting Principles

The Salzgitter Group's consolidated financial statements for the short fiscal year, like previous statements, were prepared according to the principles of the International Accounting Standards Committee (IASC). They meet the qualifications for exemption from the obligation of preparing financial statements according to German accounting standards (Section 292 a of the German Commercial Code (BGB)).

Mannesmannröhren-Werke AG and its subsidiaries and affiliates (the MRW Group) were included in Salzgitter's consolidated financial statements for the first time as of October 1, 2000.

Furthermore, the shift by which the fiscal year was aligned with the calendar year created a transitional short fiscal year of three months.

For that reason, comparisons with figures from the previous year are of very limited information value. The effects of the first consolidation of the MRW Group are described in the Notes. The remarks on the Divisions include further information on the Tube Division, which comprises the activities of the MRW Group.

Asset and Capital Structure

The Group's balance sheet total grew by €971 million (+40.0%) to €3,398 million (previous year: €2,427 billion). The primary cause was the inclusion of the MRW Group, with a consolidated value of €940 million, for the first time. Otherwise, changes were negligible.

Fixed assets grew by €282 million, with investments of €73 million (of which €24 million consisted of financial investments) and depreciation/disposals of €54 million, particularly in consequence of the MRW Group consolidation effect taking account of badwill.

On the liabilities side of the balance sheet, shareholders' equity remained essentially constant while long-term and short-term debt increased by €972 million.

Asset and Capital Structure (IAS)

€ mln	12-31-2000	%	9-30-2000	%
Fixed assets	1,508	44.4	1,226	50.5
Current assets	1,890	55.6	1,201	49.5
Assets	**3,398**	**100.0**	**2,427**	**100.0**
Shareholders' equity	911	26.8	912	37.6
Long-term borrowings	1,775	52.2	895	36.9
Short-term borrowings	712	21.0	620	25.5
Liabilities and shareholders' equity	**3,398**	**100.0**	**2,427**	**100.0**

The previous year's net bank loans outstanding in the amount of €185 million was converted into net bank cash holdings of €299 million through transfer of liquid funds from the MRW Group. Furthermore, adequate bank credit lines remained to secure short-term li-quidity needs and carry out deliveries and foreign exchange operations. Salzgitter AG provides cash and interest management services for Group companies. The Mannesmann Group companies should be fully inte-grated into the Salzgitter Group's financing system during the new fiscal year. Dollar-denominated forex transactions are first subject to netting of short and long positions within the Group, with resulting net balances secured through forex futures and options. Other non-euro currencies are systematically hedged.

Short-term bound net assets (working capital) increased, primarily due to consolidation of the MRW Group for the first time (€130 million) to €1,084 million.

Shareholders' equity at €911 million was effec-tively equal to the previous year's value, covering some 27% of the significantly higher balance sheet total (previous year: 38%).

Pension provisions, at €1,539 million (previous year: €686 million) including the MRW Group, were a substantial component of company financing.

Other provisions also grew, especially in conse-quence of the integration of the MRW Group, from the previous year's €291 million to €414 million.

We have prepared the following non-IAS-compliant Group balance sheet depicting the Group's asset and capital structure from a business point of view. Instead of deducting the €362 million negative differ-ence (badwill) arising from first consolidation of the MRW Group from intangible assets, we have allocated it to shareholders' equity, since this account will be effec-tively released in a relatively short time, resulting in a tax-free increase in equity. Likewise, minority interests in the amount of €8 million are included in equity.

Under this reckoning, shareholders' equity accounts for 34% of the reported balance sheet total of €3,760 million.

Asset and Capital Structure (Business Point of View)

€ mln	12-31-2000	%	9-30-2000	%
Fixed assets	1,870	49.7	1,256	51.1
Current assets	1,890	50.36	1,201	48.9
Assets	**3,760**	**100.0**	**2,457**	**100.0**
Shareholders' equity [1]	1,281	34.1	946	38.5
Long-term burrowings	1,767	47.0	891	36.3
Short-term burrowings	712	18.9	620	25.2
Liabilities and shareholders equity	**3,760**	**100.0**	**2,457**	**100.0**

[1] Including badwill and minority interests.

Cash and Cash Equivalents

Changes in cash and cash equivalents were influenced by implementation of the growth strategy as well as by the shift in the effective date of the balance sheet.

Current operations resulted in a negligible negative cash flow of €5 million for the Group. This was due primarily to a temporary increase in inventories in the Steel Production and Steel Trading divisions at the end of the year. Investment expenditures amounted to €26 million. Cash and cash equivalents from the newly consolidated MRW Group after repayment of short-term bank loans, along with a cash influx of €390 million from financial activities, led to a cash balance of €381 million at the end of the fiscal year. A complete statement of cash flows is included among the consolidated financial statements.

Cash and Cash Equivalents

€ mln	SFY 2000	1999/2000
Net cash provided by current operations	-5.5	113.8
Net cash used for investing activities	26.3	233.7
Net cash provided by/ used for financing actitivieties	390.4	91.4
Change in cash and cash equivalents	358.6	-28.5
Cash and cash equivalents at balance sheet date	**380.9**	**22.3**

Value Added Within the Salzgitter Group

At €275 million, the Group's operating value added exceeded the previous year's quarterly average. The employee portion of value added allocation was marginally higher at 85.8% than the previous year's figure. Some 2.2%, the same as last year, went to lenders. The increased tax portion of 7.6% is calculated without considering losses carried forward from the merger of MHP Holding with Salzgitter AG, which do affect actual liabilities under tax law. As a result, under commercial law, a tax liability exists in the short fiscal year 2000 due to taxation of appropriations for dividend payments for 1999/2000.

Shareholders (including own shares) will receive a practically unchanged portion of value added for this fiscal year at 3.3%. Finally, 1.1% remains to boost the Group's net worth.

Value Added

	SFY 2000		1999/2000	
	€ mln	in%	€ mln	in%
Sources				
Group outputs	1,175	100.0	3,492	100.0
Inputs	900	76.6	2,763	79.1
Value added	**275**	**23.4**	**729**	**20.9**
Allocation				
Employees	236	85.8	619	84.9
Public authorities	21	7.6	27	3.7
Lenders	6	2.2	13	1.8
Shareholders	9	3.3	25	3.4
Group	3	1.1	45	6.2
Value added	**275**	**100.0**	**729**	**100.0**

Appropriation of Earnings

Salzgitter AG Annual Financial Statements

Salzgitter AG's Year-End Financial Statements for the 2000 short fiscal year were prepared according to the standards of the German Commercial Code pursuant to the additional provisions of the German Stock Corporation Act. They have received an unqualified report from the auditors, PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft of Hannover. They will be published in full in the Federal Gazette (Bundesanzeiger) and filed with the commercial register at the District Court in Peine, HRB 1047. For understanding certain salient changes in the balance sheet and income statement, it should be noted that MHP Mannesmann Präzisrohr Holding GmbH (the MHP Holding) merged with Salzgitter AG effective October 1, 2000. As a result, financial assets increased by €51.7 million.

Amounts due from and to affiliated companies rose by €123.3 million and €121.5 million respectively. Furthermore, the merger led to higher pension provisions (+ €39.7 million) and other provisions (+ €21.8 million).

Salzgitter AG Balance Sheet (Short Version)

€ mln	12-31-2000	9-30-2000
Fixed assets	**806.6**	**760,8**
Property, plant, and equipment [1]	615.6	609,3
Financial assets	191.0	151,5
Current assets	**1,181.7**	**931,4**
Inventories	387.2	324,0
Trade receivables and other assets [2]	775.2	597,1
Cash and cash equivalents	19.3	10,3
Assets	**1,988.3**	**1,692.2**

€ mln	12-31-2000	9-30-2000
Shareholders' equity	663.6	622,3
Special reserves with an equity portion	79.7	88,4
Provisions	633.0	562,5
Liabilities	612.0	419,0
thereof payable to banks	(11.5)	(174,1)
Liabilities and shareholders' equity	**1,988.3**	**1,692.2**

[1] Incl. intangible assets.
[2] Incl. prepaid expenses and deferred charges and special loss account.

Salzgitter AG Income Statement (Short Version)

€ mln	SFY 2000	1999/2000
Sales	**449.8**	**1,723.7**
Change in inventories/own work capitalized	38.3	40.0
Cost of materials	258.7	952.5
Personnel expenses	103.1	341.1
Depreciation and amortization	28.8	128.9
Income from shareholdings	3.0	11.0
Write-down of marketable securities	-	5.4
Net interest result	-7.5	-21.1
Other expenses and income	-68.0	-258.6
Income from ordinary operations	**25.0**	**67.1**
Taxes	16.4	-26.6
Net Income for the year	**41.4**	**40.5**

Salzgitter AG Net Income and Appropriation of Earnings

Salzgitter AG showed a net income of €41.4 million for the 2000 short fiscal year. Adding unappropriated earnings of €25.3 million from the fiscal year ending September 30, 2000 and appropriations to reserves of €20.7 million gives non-distributed income of €46.0 million. Of this amount, €20.7 million belongs to the short fiscal year.

The Executive and Supervisory Boards propose that the Annual Shareholders' Meeting appropriate €9.4 million (relative to share capital of approx. €159.5 million distributed over 62,400,000 shares) from these retained earnings of €20.7 million for payment of a dividend of €0.15 per share and carry forward €11.3 million to next year's accounts. Since tax-free foreign income is to be distributed, there is no tax credit (credited corporate tax) linked to the dividend for the short fiscal year.

The earnings appropriation proposal for the 1999/2000 fiscal year, which the Annual Shareholders' Meeting has not yet approved, already calls for payment of a dividend of €0.40 per share, for a total of €25 million (relative to share capital of approx. €159.5 million distributed over 62,400,000 shares), and €0.3 million carried forward to the new accounts.

If the company holds treasury shares on the day of the Annual Shareholders Meeting, the earnings appropriation proposals will be adjusted accordingly for the Meeting, since treasury shares are not entitled to dividends.

GROUP MANAGEMENT REPORT: RESEARCH AND DEVELOPMENT

During the 2000 short fiscal year, the Salzgitter Group continued to develop its position as a capable partner for development, production, and application of steel materials. Research and development expenditures by Salzgitter AG and Mannesmannröhren-Werke AG increased in comparison to the average quarter of the previous fiscal year. Both internal and publicly subsidized research and development projects were carried out.

Internal R&D focused on steel production and applications. Projects were under way in process control, IT organization, materials technology and materials applications, improved blast furnace and steel mill processes, rolling and surface coating technologies, and in environmental protection.

The range of steel types available, for example, was continually improved and expanded in internal projects. In the field of surface coating, projects were undertaken to create a second-generation weldable organic thin-film coating for automobile production and to develop material and process designs for the second hot-dip galvanizing facility, to be put into operation in 2001.

Publicly subsidized research and development projects also continued. These include research into new materials using the innovative “direct strip casting” process to achieve material properties far beyond those of currently used steels. Projects have also been undertaken on the shaping and bending characteristics of steel materials. Intensive work also proceeded on our portion of the international light automobile construction project ULSAC (Ultra Light Steel Automotive Closures).

Through integration of Mannesmannröhren-Werke AG with its Mannesmann Research Institute (MFI) into the Salzgitter Group, research and development results obtained there can be exploited to the greatest possible extent in the future. MFI has carried out numerous R&D projects for Group affiliated companies Europipe, Mannesmannröhren Mülheim, VALLOUREC & MANNESMANN TUBES, and MHP Mannesmann Präzisrohr. Focal points have included further development of process technologies and material designs for pipe manufacturing.

At Europipe, a new material design for high-tensile pipes made of steel type API X80 for offshore use was successfully developed and put into production. A new technique was developed for laying offshore pipelines in which tubes are welded into a pipeline on land and then rolled into a spiral on the water. At the destination, the spiral is then unwrapped and sunk.

The time-consuming inspection of weld seams and base materials in the field of large-diameter pipes has been accelerated through various automated processes. For example, the first filmless X-ray weld seam inspection device was put into service at the Mülheim plant. Besides cost and environmental advantages over conventional film technology, it allows weld seams to be inspected in significantly less time.

In the area of new material design, VALLOUREC & MANNESMANN TUBES has succeeded in bringing tungsten-alloy fine-grain construction steel onto the market, providing higher strength and better surface characteristics than fine-grain construction steels containing nickel.

At MHP Mannesmann Präzisrohr GmbH (MHP), numerous R&D projects have been undertaken with the goal of offering tailor-made pipes for automobile production. In connection with light construction designs and the increasing integration of component functions, hydroformed components are assuming ever greater importance in auto manufacturing. MHP develops and distributes precision tubing designed especially for hydroforming applications, among other things. The materials engineers in the precision tube field have succeeded in processing temperable steel types and medium-tensile steels into high-tensile welded tubes which are then shaped using state-of-the-art production methods.

The Salzgitter Group continues to drive technical innovation through internal and publicly subsidized projects, further enhancing its position as the market's technology leader. This objective is supported by systematic expansion of the Group through interests in companies such as Oswald Hydroforming and Salzgitter Automotive Engineering. In the future, the Salzgitter Group will be able to offer comprehensive R&D projects even more efficiently, from steelmaking through prototyping to processing.

GROUP MANAGEMENT REPORT: RISK MANAGEMENT

Effective and proactive risk management is an important and productive business management tool.

Our risk management tools give us the ability to identify risks and use this information to actively manage them as part of our business strategy. The system allows us to identify, analyze, and assess potential risks. Procedures, rules, and instruments are available to manage these risks. The objective is to avoid potential risks, to control them, or to take appropriate measures while remaining sufficiently open to opportunities.

Risk management is undergoing continuous further development. The tools used for risk management differ depending on the area affected and the nature of the risk.

Guidelines provide a uniform and proportionate handling of risks and communication regarding risks within the Group. For example, in the area of finance, guidelines and criteria provide for measured application of the appropriate tools. Risk minimization is the foremost principle.

Exposure to financial and foreign exchange risk is only permissible in connection with our customary steel production and trading processes. Forex risks arising from procurement or sales transactions must always be hedged, either through internal netting within the Group or through exchange rate hedging. Interest rate hedging instruments are likewise available. Risky open positions or financing in international trading transactions are not permitted. Bad debt risk is kept within limits by requiring that credit be secured where possible, and elsewhere through stringent internal receivables management.

We manage product and environmental liability risk through numerous quality assurance measures, including certification under international standards, continual improvement and development of our facilities, and ongoing development of our products, as well as extensive environmental management.

We counter the risk of unplanned lengthy outages of key equipment through proactive maintenance, including ongoing inspections and continual upgrades and investments.

We manage the potential risk of insufficient supplies of important raw materials and energy through procurement of such raw materials from different regions and different vendors, in part secured by long-term contracts. We also practice an appropriate inventory management policy.

Further risk can result from extreme price and quantity fluctuations on sales markets. We manage the risk of being put in an existence-threatening situation by these forces by maintaining a broad range of products, customers, and regional outlet markets, a solid balance sheet and finance structure, and by situational countermeasures on procurement markets and in distribution.

Possible accidents and liability risks are eliminated, or their consequences limited, through insurance. Strict observance of laws and regulations and comprehensive legal advice is intended to proactively counter potential risks from diverse legal environments in the fields of taxation, environment, and competition.

Monitoring and management of business risk from ordinary activities takes place in our planning and controlling systems, in which risk factors are very carefully monitored and analyzed. Emerging changes in risks are considered early in regular strategy sessions and in our planning processes.

Extensive reporting systems ensure that management is kept adequately informed. Observing critical success factors ensures that unfavorable trends are recognized early and can be countered in a timely and commensurate fashion.

The Executive Board is kept informed in a direct and qualified fashion of risky developments, potential risks, and measures to overcome and limit risk so that it can meet any risk factors that may occur early and in a goal-oriented manner.

Salzgitter AG's internal audit department scrutinizes the systems used throughout the Group for reliability, safety, and efficiency as an independent body and provides ideas for further improvements.

This risk management system also covers our subsidiaries.

Until they were acquired by Salzgitter AG, Mannesmannröhren-Werke AG and its affiliates were part of Mannesmann AG's risk management system.

The manifold components of this system, such as planning and controlling instruments, notification and reporting obligations, guidelines, and use of internal auditors, were initially retained in full. Beginning with the 2001 fiscal year, they will be successively replaced or supplemented as needed by the risk management and reporting system used within Salzgitter AG. Work teams composed of Salzgitter AG and Mannesmannröhren-Werke AG employees have been set up to identify the required measures.

Our financial auditors have audited Salzgitter AG's early risk recognition system in accordance with the Act on Corporate Control and Transparency of 1998. The audit confirmed that developments threatening the continued existence of the Company are recognized early through the existing system, and that the system is therefore in full compliance with the requirements of corporate law.

No risks threatening the continued existence of Salzgitter AG were identified in the 2000 short fiscal year. Likewise, no specific development is recognizable at present which could interfere with Salzgitter AG's future asset, financial, and earnings situation in a lasting and existence-threatening manner.

GROUP MANAGEMENT REPORT: OUTLOOK

The underlying tone of assessments both of the general economy and of steel markets in 2001 continues to be guardedly optimistic, although certain economic research institutes estimate that the worldwide cooling off of the economy this year will turn out to be more severe than has been assumed until now. According to the recently published forecast of a German economic research institute, the economy will grow by 2.6% (previous forecast: 2.8%) in Western Europe and in the euro zone and by 2.4% (previously 2.5%) in Germany in 2001. In the United States, real gross domestic product is expected to grow by only 1.7% (previously 2.8%), and in Japan by 1% (previously 1.5%). The slowdown in the euro zone is regarded as a normalization, not as a recessionary tendency.

Slowing growth in Germany and in the European Union, along with the weakening U.S. economy, has naturally not passed the steel market by.

Nevertheless, following growth of 4% in steel consumption in 2000, steel consumption in the EU is forecast to continue to grow by 2.5–3% in 2001.

All of the key steelconsuming industries in the EU continue to expect favorable conditions, albeit only moderately so.

On this basis, in assessing prospects for Salzgitter AG, we too assume that consolidation and slowing growth tendencies will especially affect the Steel Production and Steel Trading Divisions in 2001. The Tube Division, in our estimate, will provide contrary positive impulses.

For the Steel Production Division, the steel market in Europe remained stable into the fourth quarter of 2000, with continuing high steel consumption. Cyclical inventory effects, sharply increased rolled steel imports, and declining prices on world markets, however, led to a reversal of price trends for flat steel products in Europe in the first quarter of 2001. For quarto plate and sections too, the market situation in consequence of these trends is regarded as more difficult than even a few weeks ago, and sales and profits in the steel sector as a whole are expected to decline during the 2001 fiscal year.

Market expectations for 2001 are similarly subdued in the Trading Division. Domestic trade to date has enjoyed moderately growing shipments and practically constant prices. At present it does not appear that this state of affairs will continue indefinitely.

Falling prices for nearly all steel products are expected everywhere for the trading business in third countries. Furthermore, shipments will decline on the North American market. As a result, this division's sales revenues are expected to decline in 2001, due primarily to the state of the trading business.

The first signs of an inflection of trends on international steel markets are visible today. It is not yet certain whether they already herald the reversal expected in 2001.

The companies constituting the Raw Materials and Services Division will continue to focus primarily on serving Steel Production, as well as other companies within the Group. Expectations are therefore essentially determined by the state of the steel production business.

Although individual companies will develop differently, overall growth in sales revenue is still expected. This will be supported by measures to expand business with customers outside the Group.

Favorable developments are expected in the Industrial Shareholdings Division, driven especially by the activities of HSP.

For the new Tube Division, a turning point has already been reached, and business prospects for 2001 are quite positive.

Strong demand for oil and gas tubulars and line pipes should continue or even grow thanks to expected large-exploration and production investments in the energy sector in 2001. Prospects are therefore favorable for seamless hot-milled pipes in terms of both shipment volumes and opportunities for enhanced sales revenues. The situation appears equally favorable for medium-diameter line pipes. For largediameter pipes, the existing large order backlog will ensure high capacity utilization well into 2001 and thus, with improved prices, a significant increase in sales over last year. For precision tubes, solid demand from the mechanical engineering and plant construction industry and good export-based capacity utilization in the automotive industry also promise growth in shipments. Although concentration on high-value products will lead to a decline in sales revenues, earnings will improve noticeably due to cost reduction measures and the composition of the product line.

We expect a significant contribution to Group earnings from the Tube Division in 2001, helping to offset the weakness in the Group's steel divisions. Based on our current state of knowledge, we expect Group earnings in the 2001 fiscal year again to exceed those for the 1999/2000 fiscal year.

A series of comprehensive measures are also planned within the Group in order to meet business objectives under our corporate strategy. These include moving ahead with the Group-wide profit improvement program in a thorough and determined fashion and accelerated implementation of modern information technology for internal and external (e-business) applications. Furthermore, a reorganization of the Group will aid in achieving the Group's qualitative and quantitative objectives. As described in detail in the 1999/2000 Annual Report, the Group will be managed by a management holding company, with operating tasks carried out by autonomous corporate entities grouped into five divisions (Steel, Tubes, Trading, Processing, and Services).

REPORT OF THE SUPERVISORY BOARD

In the Supervisory Board's opinion, the 2000 short fiscal year, created through adjustment of future fiscal periods to match the calendar year, was primarily characterized by continuing good business performance. An aggressive investment policy continued. The Supervisory Board approved further investments to secure the future of the Steel Production Division, especially in the area of flat steel products. The Tubes product area, previously represented only by large-diameter pipe production at the Salzgitter site, emerged for the first time as a separate division upon acquisition of Mannesmannröhren- Werke AG along side the Steel Production, Steel Trading, Raw Materials and Services, and Industrial Shareholding Divisions.

In two sessions, the Supervisory Board held in-depth discussions with the Executive Board on important business measures requiring its approval under the law or the company's statutes. The Strategy Committee joined the Executive Board for consultations on long-term business development. Furthermore, in the course of the fiscal year the Supervisory Board has been kept informed in writing and orally of the momentary and evolving situation of the company and all its divisions, including fundamental business planning issues, by the Executive Board.

Salzgitter AG's annual financial statements and consolidated financial statements at December 31, 2000 and the Management Reports on Salzgitter AG and the Group have been audited by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft of Hannover, the auditors selected by the Annual Shareholders' Meeting of December 20, 2000 and hired by the Supervisory Board, receiving an unqualified opinion.

Our financial auditors have audited Salzgitter AG's risk early warning system in accordance with the Act on Corporate Control and Transparency of 1998. The audit confirmed that developments threatening the continued existence of the Company are recognized early through the existing system, and that the system is therefore in full compliance with the requirements of corporate law.

The annual financial statements, consolidated financial statements, management reports, Executive Board's proposal for appropriation of earnings, and the auditors' report were available for inspection by all members of the Supervisory Board. Auditors' representatives attended the Supervisory Board Meeting to approve the financial statements on March 30, 2001 and described the essential results of their audit. The Supervisory Board thereupon adopted the following resolution:

"The Supervisory Board, having examined the annual financial statements, consolidated financial statements, and Executive Board's management reports, agrees with the conclusions of the auditors. No further objections may be raised after the final conclusion of this examination. The Supervisory Board approves the annual financial statements prepared by the Executive Board. The Supervisory Board endorses the Executive Board's proposal for appropriation of earnings."

Several changes in the composition of the Executive and Supervisory Boards took place in the course of the short fiscal year. Dipl.-Volkswirt Michael B. Pfitzner joined the Executive Board on November 1, 2000. He will take over responsibility for “Sales” from Dr. Jürgen Kolb, who is retiring from active professional life, as of April 1, 2001. On December 31, 2000, Dr. Eberhard Luckan retired after fourteen years on the Company’s Executive Board responsible for “Finance and Accounting.” On January 1, 2001, Dr. Heinz Jörg Fuhrmann took over management of “Finance and Accounting.”

Heinz-Hermann Witte resigned from the Supervisory Board on December 31, 2000. He was replaced by Hartmut Tölle of the presiding registry court.

The Supervisory Board thanks the retired members on its own behalf and on that of the Executive Board and the employees for their years of dedication and for their untiring constructive work for the good of the Company.

The Supervisory Board thanks the Executive Board and all employees for their efforts on behalf of the Company in the 2000 short fiscal year.

The Supervisory Board

Dr. Wilfried Lochte
Chairman

BOARDS, PERSONAL DATA

The Executive Board

Wolfgang Leese
Chairman
a) ▪ Mannesmannröhren-Werke AG
▪ Salzgitter Handel GmbH

Prof. Dr. Günter Geisler
Vice Chairman
Personnel
a) ▪ Mannesmannröhren-Werke AG
▪ PPS Personal-, Produktions- und Servicegesellschaft mbH
▪ Verkehrsbetriebe Peine-Salzgitter GmbH
▪ HSP Hoesch Spundwand und Profil GmbH
b) ▪ "Glückauf" Wohnungsgesellschaft mbH (Advisory Council)

Dr.-Ing. Heinz Jörg Fuhrmann
Technical Management Plates and Corporate Planning
as of July 1, 2000 also Finance and Accounting,
jointly with Dr. Eberhard Luckan until December 31, 2000
a) ▪ Mannesmannröhren-Werke AG
▪ Salzgitter Handel GmbH
▪ PPS Personal-, Produktions- und Servicegesellschaft mbH
▪ Verkehrsbetriebe Peine-Salzgitter GmbH
▪ HSP Hoesch Spundwand und Profil GmbH
b) ▪ DEUMU Deutsche Erz- und Metall-Union GmbH (Supervisory Board)
▪ Hövelmann & Lueg GmbH & Co KG (Advisory Council)
▪ Peiner Agrar- und Hüttenstoffe GmbH (Advisory Council)
▪ Hansaport Hafenbetriebsgesellschaft mbH (Supervisory Board)
▪ Steel Dynamics, Inc. (Board of Directors, alternate member)
▪ Wescol Group plc (Board of Directors)

Arnold Jacob
Technical Management, Salzgitter and Peine
a) ▪ PPS Personal-, Produktions- und Servicegesellschaft mbH
▪ Verkehrsbetriebe Peine-Salzgitter GmbH
b) ▪ GESIS Gesellschaft für Informationssysteme mbH (Advisory Council)
▪ Redestillationsgemeinschaft GmbH (Advisory Council)

Dr. Jürgen Kolb
Sales
a) ▪ Mannesmannröhren-Werke AG
▪ Deutsche Steinkohle AG
▪ Salzgitter Handel GmbH
▪ HSP Hoesch Spundwand und Profil GmbH
b) ▪ Steel Dynamics, Inc. (Board of Directors)
▪ Universal Eisen und Stahl GmbH (Advisory Council)
▪ Hövelmann & Lueg GmbH & Co KG (Advisory Council)

Dr. Eberhard Luckan
Finance and Accounting,
jointly with Dr. Heinz Jörg Fuhrmann since July 1, 2000
(until December 31, 2000)
a) ▪ HSP Hoesch Spundwand und Profil GmbH
b) ▪ DEUMU Deutsche Erz- und Metall-Union GmbH (Supervisory Board)
▪ "Glückauf" Wohnungsgesellschaft mbH (Advisory Council)
▪ Hansaport Hafenbetriebsgesellschaft mbH (Supervisory Board)
▪ GESIS Gesellschaft für Informationssysteme mbH (Advisory Council)
▪ Universal Eisen und Stahl GmbH (Advisory Council)

Michael B. Pfitzner
Sales (since November 1, 2000)
b) • Universal Eisen und Stahl GmbH (Advisory Council)

a) = Memberships in other Supervisory Boards to be constituted pursuant to § 125 AktG.
b) = Memberships in comparable domestic and foreign supervisory bodies of business enterprises.

Supervisory Board

Dr.-Ing. E.h. Dipl.-Ing. Wilfried Lochte
Chairman
Chairman of the Executive Board of MAN Nutzfahrzeuge AG, retired
Member of the Executive Board of MAN Aktiengesellschaft, retired
a) ▪ Knorr-Bremse AG
▪ Knorr-Bremse Systeme für Nutzfahrzeuge GmbH
▪ Zahnradfabrik Friedrichshafen AG
▪ Claas KGaA
▪ Schmitz Cargobull AG
b) ▪ Claas KGaA (Partnership Committee)

Horst Schmitthenner
Vice Chairman
Member of the Executive Board, Industrie-Gewerkschaft Metall
▪ No memberships in other governing bodies

Ingeborg Borchers
Vice Chairwoman, Salzgitter Plant Works Council, Chairwoman, Central Works Council
▪ No membership in other governing bodies

Dr. Dieter Brunke
Member of the Executive Board of Preussag AG, retired
a) ▪ MEBEGE Metall-Beteiligung AG
▪ SECO Saxonia Engine Components AG
b) ▪ IC INSITU Beteiligungsgesellschaft mbH (Supervisory Board)

Dr. Gunter Dunkel
Member of the Executive Board of Norddeutsche Landesbank Girozentrale
a) ▪ CinemaxX AG
▪ MHB Mitteleuropäische Handelsbank AG
▪ Viscardi AG
▪ üstra Intalliance AG
b) ▪ NORD/LB Luxembourg S.A. (Administrative Council)
▪ Skandifinanz AG (Administrative Council)
▪ Pirma Banka (Supervisory Board)

Ulrich Förster
Chairman, Ilsenburg Plant Works Council
▪ No membership in other governing bodies

Hans-Michael Gallenkamp
Chairman of the Managing Board of Felix Schoeller Holding GmbH & Co. KG
a) ▪ Stone Europa Carton AG
▪ Stone Container GmbH
b) ▪ Jacob Jürgensen GmbH (Advisory Council)

Kurt van Haaren
Chairman of the Deutsche Postgewerkschaft
a) ▪ Deutsche Post AG
b) ▪ Beteiligungsgesellschaft der Gewerkschaften AG (Advisory Council)

a) = Memberships in other Supervisory Boards to be constituted pursuant to § 125 AktG.
b) = Memberships in comparable domestic and foreign supervisory bodies of business enterprises.

Prof. Dr.-Ing. Dr.-Ing. E.h. mult. Heinz Haferkamp
Director of the Institute for Materials Science, University of Hanover
Member of the Executive Board of Laser Zentrum Hannover e.V.

a) ▪ Deutsche Gesellschaft zum Bau und Betrieb von Endlagern für Abfallstoffe mbH (DBE)
▪ Preussag Noell GmbH
▪ ALSTOM LHB GmbH

Reinhard Heuer
Vice Chairman, Peine Plant Works Council

▪ No membership in other governing bodies

Prof. Dr. Rudolf Hickel
Professor of Economics specializing in Finance, Department of Economics, University of Bremen

a) ▪ "GEWOBA - Aktiengesellschaft Wohnen und Bauen"
▪ Sächsische Edelstahlwerke Freital GmbH
▪ ALLIANZ AG

Dr. Gunther Krajewski
Assistant Secretary and Department Head, Lower Saxony Ministry of Finance
Managing Director, Hannoversche Beteiligungsgesellschaft mbH

a) ▪ Flughafen Hannover-Langenhagen GmbH

Prof. Dr. Hans-Jürgen Krupp
President of the Central State Bank of the City of Hamburg and the States of Mecklenburg-Western Pomerania and Schleswig-Holstein and Member of the Central Bank Council of the Deutsche Bundesbank

▪ No membership in other governing bodies

Bernd Lange
Member of the European Parliament

▪ No membership in other governing bodies

Dr. Arno Morenz
Vice President of the DSW Deutsche Schutzvereinigung für Wertpapierbesitz e.V.

a) ▪ alfabet holding AG
▪ Flossbach & von Storch Vermögensmanagement AG
▪ DOAG Holding AG

b) ▪ Das Wertpapier Verlag GmbH (Supervisory Board)
▪ LURECO Luxembourg European Reinsurance, S.A. (Administrative Council)
▪ ERC Management Services, Ltd. (Supervisory Board)
▪ IRECO Irish European Reinsurance Company Ltd. (Supervisory Board)
▪ Fidelity Funds (Administrative Council)

a) = Memberships in other Supervisory Boards to be constituted pursuant to § 125 AktG.
b) = Memberships in comparable domestic and foreign supervisory bodies of business enterprises.

Dr. Hannes Rehm
(Since October 4, 2000)
Vice Chairman of the Executive Board of
Norddeutsche Landesbank Girozentrale
a) ▪ Berlin-Hannoversche Hypothekenbank AG
b) ▪ Fürstenberg Ehemalige Herzoglich Braunschweigische Porzellanmanufaktur Fürstenberg (Supervisory Board)
▪ Niedersächsische Bank GmbH - EXPO BANK - (Supervisory Board)
▪ Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale (Supervisory Board)
▪ EURO Kartensysteme EUROCARD und eurocheque GmbH (Supervisory Board)
▪ Niedersächsische Gesellschaft für öffentliche Finanzierung mbH (Supervisory Board)
▪ NILEG Norddeutsche Gesellschaft für Landesentwicklung mbH, Wohnungsbau und Kommunale Anlagen (Supervisory Board)
▪ Norddeutsche Immobilien-Anlagegesellschaft mbH (Supervisory Board)
▪ Federal Agency for Special Unification-Related Tasks (Administrative Council)

Dr. Rudolf Rupprecht
Chairman of the Executive Board, MAN AG
a) ▪ MAN Nutzfahrzeuge AG
▪ MAN B&W Diesel AG
▪ MAN Roland Druckmaschinen AG
▪ MAN Technologie AG
▪ Ferrostaal AG
▪ RENK AG
▪ SMS AG
▪ Buderus AG
▪ Walter Bau-AG
b) ▪ MAN B&W Diesel A/S (Board of Directors)

Ernst Schäfer
Salzgitter Plant Works Council Chairman,
Central Works Council Vice Chairman,
Group Works Council Chairman
▪ No membership in other governing bodies

Helga Schwitzer
Union Secretary of the IG Metall District Office,
Hanover
a) ▪ Robert Bosch Elektronik GmbH

Dr. Martin Winterkorn
Member of the Executive Board of Volkswagen AG
a) ▪ SEAT S.A.
▪ Sitech
▪ Wolfsburg AG
▪ GIZ Wolfsburg Gründungs- und Innovationszentrum WOB
b) ▪ VW of South Africa (Board of Directors)
▪ VW-Comércio e Participacoes, Lda. (Conselho Consultivo/Advisory Council)
▪ Shanghai-VW Automotive Co. Ltd. (Board of Directors, alternate member)
▪ Auto Europa Automóveis (Board of Directors)
▪ IAV GmbH Ingenieurgesellschaft Auto und Verkehr (Administrative Council)
▪ Physikalisch-Technische Bundesanstalt (Board of Trustees)

Heinz-Hermann Witte
(until December 31, 2000)
Chairman of the Lower Saxony/Bremen
State District of the DGB
a) ▪ Braunschweigische Kohlenbergwerke

a) = Memberships in other Supervisory Boards to be constituted pursuant to § 125 AktG.
b) = Memberships in comparable domestic and foreign supervisory bodies of business enterprises.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF SALZGITTER AG

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD OCTOBER 1 TO DECEMBER 31, 2000

(K€)	Note	SFY 2000	1999/2000
Sales	(1)	1,018,405	3,291,294
Increase or decrease in finished goods and work in progress and other own work capitalized	(2)	+ 53,060	+ 67,462
		1,071,465	**3,358,756**
Other operating income	(3)	63,658	124,250
Cost of materials	(4)	711,569	2,191,163
Personnel expenses	(5)	212,229	581,948
Amortization and depreciation on intangible and tangible assets	(6)	50,271	174,109
Other operating expenses	(7)	137,708	397,809
Income from shareholdings thereof from associated companies	(8)	+30,361 +[29,436]	+1,536 - [229]
Net interest income	(9)	19,834	42,233
Net operating income		+33,873	+97,280
Taxes	(10)	21,237	27,155
Consolidated net income for the year		**12,636**	**70,125**
Net income due to minority shareholders	(11)	341	1,128
Net income due to shareholders of Salzgitter AG		**12,295**	**68,997**

Appropriation of income

(K€)	Note	SFY 2000	1999/2000
Net income due to shareholders of Salzgitter AG		12,295	68,997
Non-distributed income brought forward from previous year		25,325	3,853
Transfer to other retained earnings		-	47,525
Withdrawal from other retained earnings		8,391	-
Non-distributed income of Salzgitter AG		**46,011**	**25,325**
Earnings per share (in €)	(12)	0.21	1.15

CONSOLIDATED BALANCE SHEET (AT DECEMBER 31, 2000)

(K€)

Assets	Note	12-31-00	9-30-00
Fixed assets			
Intangible assets			
Goodwill / negative goodwill from capital consolidation	(13)	-361,218	-29,932
Other intangible assets	(14)	18,749	16,375
		-342,469	**-13,557**
Tangible assets	(15)	1,321,826	1,149,908
Financial assets	(16)	528,710	89,751
thereof from shareholdings in associated companies		[425,255]	[17,920]
		1,508,067	**1,226,102**
Current assets			
Inventories	(17)	756,054	544,954
Receivables and other assets			
Trade receivables	(18)	612,259	548,226
Other receivables and other assets	(19)	138,956	83,752
Cash and cash equivalents	(20)	380,954	22,309
		1,888,223	**1,199,241**
Prepaid expenses for deferred taxes	**(21)**	**1,009**	**-**
Prepaid expenses	**(22)**	**881**	**1,750**
		3,398,180	**2,427,093**
Shareholders' equity and liabilities			
Shareholders' equity	**(23)**		
Subscribed capital	(24)	159,523	159,523
Capital reserves	(25)	287,530	287,530
Retained earnings	(26)	455,773	476,205
Non-distributed income	(27)	46,011	25,325
		948,837	948,583
Treasury shares		-37,937	-36,225
		910,900	**912,358**
Minority interests	**(28)**	**8,268**	**3,846**
Provisions			
Provisions for pensions and similar obligations	(29)	1,538,697	685,980
Tax provisions and other provisions	(30)	414,331	290,799
		1,953,028	**976,779**
Liabilities	**(31)**		
Bonds		3,742	3,793
Liabilities to banks		81,744	206,961
Trade payables		284,573	211,785
Other liabilities		153,826	109,222
		523,885	**531,761**
Deferred income	**(32)**	**2,099**	**2,349**
		3,398,180	**2,427,093**

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 10-1-99	**159,523**	**287,530**	**395,832**	**140**	**-104**	**57,310**	**900,091**
Net income for the year	-	-	-	-	-	68,997	68,997
Dividend	-	-	-	-	-	-22,738	-22,738
Buy-back of own shares	-	-	-	-	-36,121	-	-36,121
Currency translation	-	-	771	771	-	-	771
Transfer by Salzgitter AG to retained earnings	-	-	49,734	-	-	-49,734	-
Transfer from retained earnings in Salzgitter Group	-	-	28,510	-	-	-28,510	-
Other	-	-	1,358	-	-	-	1,358
At 9-30-00	**159,523**	**287,530**	**476,205**	**911**	**-36,225**	**25,325**	**912,358**
Net income for the year	-	-	-	-	-	12,296	12,296
Sale of own shares	-	-	-	-	1,766	-	1,766
Buy-back of own shares	-	-	-	-	-3,478	-	-3,478
Currency translation	-	-	-8,054	-8,054	-	-	-8,054
Unrealized profits and losses	-	-	-	-	-	-	-
Transfer by Salzgitter AG to retained earnings	-	-	20,686	-	-	-20,686	-
Transfer from retained earnings in Salzgitter Group	-	-	-29,076	-	-	29,076	-
Other	-	-	-3,988	-	-	-	-3,988
At 12-31-00	**159,523**	**287,530**	**455,773**	**-7,143**	**-37,937**	**46,011**	**910,900**

(33) CASH FLOW STATEMENT

(K€)

	SFY 2000	1999/2000
Net income for the year	12,296	68,997
Depreciation (+)/appreciation (-) on fixed assets	50,271	174,013
Other expenses (+)/income (-) not affecting payments	2,379	56,942
Interest expenses	29,224	49,473
Profit (-)/loss (+) from disposal of fixed assets	1,090	2,512
Increase (-)/decrease (+) in inventories	-98,872	-54,097
Increase (-)/decrease (+) in trade receivables and in other assets that cannot be allocated to investment or financing activities	55,317	-90,462
Increase (-)/decrease (+) in provisions	-57,304	-98,820
Increase (-)/decrease (+) in trade payables and in other liabilities that cannot be allocated to investment or financing activities	141	5,228
Cash flow from operating activities	**-5,458**	**113,786**
Payments received from disposals of fixed assets	158	6,211
Payments made for investments in intangible and tangible assets	-50,767	-208,877
Payments received from disposals of financial assets	191	9,366
Payments made for investments in financial assets	24,092	-40.368
Cash flow from investment activities	**-26,326**	**-233,668**
Payments made for buy-back of own shares	-3,478	-36,121
Inflow from changes in scope of consolidation	563,192	-
Dividend payments	-	-22,738
Payments received from bond issues and amounts borrowed	5,060	169,459
Repayments of bond issues and amounts borrowed	-170,173	-7,770
Interest paid	-4,172	-11,406
Cash flow from financal activities	**390,429**	**91,424**
Cash and cash equivalents at beginning of period	22,309	50,767
Changes in cash and cash equivalents affecting payments	358,645	-28,458
Cash and cash equivalents at end of period	**380,954**	**22,309**

(34) SEGMENT REPORTING / PRIMARY SEGMENT

		Steel Production[1)]		Tubes	Steel Trading
		SFY 2000	1999/2000	SFY 2000	SFY 2000
Sales	K€	449,826	1,723,722	172,617	428,347
Sales within same segment	K€	-	-	-	3,798
Sales to other segments	K€	109,410	471,679	1,333	2,102
External sales	K€	340,416	1,252,043	171,284	422,447
Income from ordinary activities	K€	24,998	74,694	-1,466	-2,826
thereof from associated companies	K€	-	-	30,028	-460
Interest income	K€	3,503	7,463	8,361	1,138
Interest expense	K€	12,970	37,037	15,262	4,998
Segment operating assets	K€	1,626,632	1,563,124	868,810	536,408
thereof shareholdings in associated companies	K€	-	-	407,299	8,483
Inventories	K€	387,226	324,026	107,558	189,165
Segment operating liabilities	K€	759,908	915,557	1,164,191	488,014
Investments in intangible and tangible assets	K€	32,488	169,179	7,987	2,467
Depreciation and amortization on intangible and tangible assets	K€	36,547	150,249	6,399	2,332
Non-cash expenses and income	K€	21,636	39,090	-3,615	1,626
Employees (annual average)		7,234	7,045	3,960	1,695

[1)] Expenses and income attributable to the Holding are posted under consolidation/other; prior year's values were adjusted accordingly.

(34) SEGMENT REPORTING BY REGIONS

		Germany		EU (excl. Germany)	
		SFY 2000	1999/2000	SFY 2000	1999/2000
External sales by recipient	T€	524,603	1,690,110	212,008	704,268
External sales by domicile of customer	T€	954,831	3,111,367	40,380	88,918
Investment in tangible and intangible assets	T€	46,398	208,026	791	275
Segment operating assets	T€	3,214,705	2,358,640	108,229	50,747
Segment operating liabilities	T€	2,188,039	1,306,401	53,454	18,766
Depreciation and amortization	T€	48,903	173,378	1,025	714
Employees (annual average)		16,434	13,058	406	118

Steel Trading	Raw Materials/Services		Industrial Shareholdings		Consolidation/Other		Group	
1999/2000	SFY 2000	1999/2000	SFY 2000	1999/2000	SFY 2000	1999/2000	SFY 2000	1999/2000
1,880,908	139,368	518,357	31,426	43,296	-	-	1,221,584	4,166,283
100,404	4,068	4,628	-	-	-	-	7,866	105,032
7,055	78,293	285,818	4,175	5,405	-	-	195,313	769,957
1,773,449	57,007	227,911	27,251	37,891	-	-	1,018,405	3,291,294
17,532	3,445	23,108	442	-2,390	9,280	-15,664	33,873	97,280
2,778	-	-	-132	-3,007	-	-	29,436	-229
4,535	3,023	4,051	11	81	-6,646	-8,891	9,390	7,239
16,356	2,759	8,512	316	385	-7,081	-12,818	29,224	49,472
535,407	178,539	172,837	168,432	162,539	-	-	3,378,821	2,433,907
8,113	-	-	9,472	9,807	-	-	425,254	17,920
163,222	37,744	36,202	30,047	26,780	4,314	-5,276	756,054	544,954
477,994	211,364	206,726	37,238	35,597	-388,589	-291,916	2,272,126	1,343,958
5,383	2,725	23,221	3,638	10,538	-	-	49,305	208,321
9,417	2,767	10,407	2,181	3,855	45	181	50,271	174,109
7,286	5,716	15,995	888	13,890	-23,872	-19,319	2,379	56,942
1,774	3,631	3,769	565	593	-	-	17,085	13,181

Rest of Europe		America		Other regions		Group	
SFY 2000	1999/2000	SFY 2000	1999/2000	SFY 2000	1999/2000	SFY 2000	1999/2000
65,486	170,813	65,463	285,928	150,845	440,175	1,018,405	3,291,294
717	-	22,477	91,009	-	-	1,018,405	3,291,294
717	-	1,399	20	-	-	49,305	208,321
10,464	-	45,423	24,520	-	-	3,378,821	2,433,907
8,389	-	22,244	18,791	-	-	2,272,126	1,343,958
187	-	156	17	-	-	50,271	174,109
159	-	86	5	-	-	17,085	13,181

CONSOLIDATED FIXED ASSETS OF THE SALZGITTER GROUP (AT DECEMBER 31, 2000)

(K€)

	Cost of acquisition or manufacturing costs						
	10-01-2000	Currency differences	Changes in scope of con-solidation	Additions	Disposals	Transfers	12-31-00
Intagible assets							
Goodwill from capital consolidation	-31,667	-	-	-345,371	-	-	-377,038
Concessions, industrial property and similar rights and assets and licenses in such rights and assets	53,517	-47	5,055	1,299	318	518	60,024
Goodwill	72	-	-	-	-	-	72
Prepayments	569	-	850	52	-	-518	953
	22,491	**-47**	**5,905**	**-344,020**	**318**	**-**	**-315,989**
Tangible assets							
Land, similar rights and buildings including buildings on third-party land	652,540	-460	223,393	2,201	3,617	440	874,497
Technical equipment, plant and machinery	2,756,631	-1,235	572,891	23,585	13,849	3,774	3,341,797
Other equipment, operating and office equipment	140,271	-109	54,959	4,833	3,471	1,036	197,519
Prepayments and construction in progress	89,857	-242	21,693	17,335	10	-5,250	123,383
	3,639,299	**-2,046**	**872,936**	**47,954**	**20,947**	**-**	**4,537,196**
Financial assets							
Shares in affiliated companies	19,306	-	74,024	241	-	-	93,571
Shares in associated companies	17,920	-144	384,392	23,511	424	-	425,255
Shareholdings	47,467	-	12,040	-	-	-	59,507
Other loans	5,837	-	17,160	82	298	-	22,781
	90,530	**-144**	**487,616**	**23,834**	**722**	**-**	**601,114**
	3,752,320	**-2,237**	**1,366,457**	**-272,232**	**21,987**	**-**	**4,822,321**

[1] Release of negative goodwill from capital consolidation.
[2] Stated under income from shareholdings.

	Allowances								Book values	
	10-1-2000	Currency differences	Changes in scope of con-solidation	Additions during fiscal year	Depreciation during fiscal year	Dis-posals	Transfers	12-31-00	12-31-00	9-30-00
	-1,735	-	-	14,130[1]	45	-	-	-15,820	-361,218	-29,932
	37,743	-9	2,450	-	2,323	252	-	42,255	17,769	15,774
	40	-	-	-	5	-	-	45	27	32
	-	-	-	-	-	-	-	-	953	569
	36,048	**-9**	**2,450**	**14,130**	**2,373**	**252**	**-**	**26,480**	**-342,469**	**-13,557**
	364,005	-282	174,434	-	3,974	2,227	-	539,904	334,593	288,535
	2,012,060	-1,044	478.763	-	39,551	13,690	-386	2,515,254	826,543	744,571
	113,326	-69	45,357	-	4,373	3,161	386	160,212	37,307	26,945
	-	-	-	-	-	-	-	-	123,383	89,857
	2,489,391	**-1,395**	**698,554**	**-**	**47,898**	**19,078**	**-**	**3,215,370**	**1,321,826**	**1,149,908**
	546	-	54,029	-	838	-	-	55,413	38,158	18,760
	-	-	-	-	-	-	-	-	425,255	17,920
	27	-	5,062	-	-	-	-	5,089	54,418	47,440
	206	-	11,806	2	-	108	-	11,902	10,879	5,631
	779	**-**	**70,897**	**2**	**838**	**108**	**-**	**72,404**	**528,710**	**89,751**
	2,526,218	**-1,404**	**771,901**	**14,132**	**51,109**	**19,438**	**-**	**3,314,254**	**1,508,067**	**1,226,102**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF SALZGITTER AG FOR THE SHORT FISCAL YEAR (SFY) FROM OCTOBER 1 TO DECEMBER 31, 2000

Accounting Principles

The consolidated financial statements of Salzgitter AG were prepared in compliance with the binding accounting rules of the International Accounting Standards Committee (IASC) applicable on the balance-sheet date on the basis of historical costs. The requirements of the applied Standards and Interpretations (SIC) were met without exception and lead to the presentation of a true and fair view of the assets, financial, and earnings situation of the Salzgitter Group.

The requirements of Section 292a of the German Commercial Code (HGB) for an exemption from the necessity to prepare consolidated financial statements in accordance with German accounting standards were satisfied. The assessment of these requirements is based on the German Accounting Standard No. 1 (DRS 1) published by the German Council for Standardization. In order to ensure equivalence with consolidated financial statements prepared in accordance with the provisions of the Commercial Code, all disclosures and explanations of commercial law that go beyond the rules of the IASC are shown. Therefore, Salzgitter AG is exempt from the obligation to prepare consolidated financial statements in accordance with the Commercial Code.

The consolidated financial statements will be published and filed with the Commercial Register of the District Court in Peine under HRB 1047. Salzgitter AG is registered as a company with the Commercial Register of the District Court in Peine with its headquarters in Peine. The address of the Executive Board of Salzgitter AG is Eisenhüttenstrasse 99, 38239 Salzgitter.

In accordance with the resolution of the Special Shareholders' Meeting held on December 20, 2000, Salzgitter AG has made the calendar year its fiscal year. The period October 1 to December 31, 2000, forms a short fiscal year. In view of the differing reporting periods, the comparability of the figures with those of the previous fiscal year is limited.

In the interest of improved clarity of presentation, some items of the Balance Sheet and Income Statement have been combined and shown separately in the Notes. The annual financial statements are rendered in euro.

Principles and Methods of Consolidation

The consolidated financial statements are based on the financial statements of Salzgitter AG and its consolidated subsidiaries, which were prepared in accordance with uniform Group wide accounting and valuation methods and certified by independent auditors.

The consolidated financial statements include all major Companies in which Salzgitter AG is able directly or indirectly to determine the financial and business policies in such a way that the companies of the Salzgitter Group are able to benefit from the activities of these companies. These companies are included in the consolidated financial statements from the date on which the Salzgitter Group obtained the possibility of control. If and when that possibility ceases to exist, the relevant companies are excluded from the scope of consolidation.

Capital consolidation is effected by offsetting the acquisition costs of the shareholding against the revaluated equity at the time of acquisition of the subsidiary. Goodwill arising on acquisitions after October 1, 1995, is capitalized as goodwill and as a rule amortized systematically over 10 years with an effect on result. Negative goodwill from capital consolidation is released systematically. Differences from subsidiaries acquired prior to that date remain offset against retained earnings. For tax accounting differences from adjustments of accounting and from revaluation of German subsidiaries, deferred taxes are shown excluding goodwill at the time of acquisition.

A resulting negative goodwill is released according to the three-tier concept as per IAS 22.59 ff. Thus, the negative difference based on anticipated future expenses and losses is released inversely as these expenses and losses arise as other operating income affecting profits. Any remaining difference is released with an effect on results to the extent of existing non-monetary depreciable assets over their average weighted remaining useful lives. If a difference still exists after that, it is recognized at the time for first consolidation with an immediate effect on results.

In the course of finalizing consolidation with an effect on profits, the results of the subsidiary generated during the period of consolidation are adjusted to the results shown in the annual financial statements of the parent company. In the event of the disposal of goodwill in companies leaving the scope of consolidation that were acquired prior to October 1, 1995, the setoff against retained earnings not affecting profits made in the past is canceled.

Subsidiaries not included in the consolidated financial statements are of minor significance for the presentation of the assets, financial and earnings situation of the company, even when combined. Shares in non-consolidated affiliated companies are generally shown in the Group Balance Sheet at purchase or acquisition costs carried forward.

Assets and commitments denominated in a foreign currency must generally be shown at the cost of purchase or acquisition at the exchange rate prevailing on the date on which the purchase transaction was effected. Rate hedging is practiced as a matter of principle.

According to IAS 20, subsidies must not be reported until the necessary requirements for the subsidy have been met and it can be expected that the subsidies will actually be granted. Asset-linked subsidies are generally shown as a reduction of the cost of purchase/production. If a profit-linked subsidy relates to future fiscal years, it is recorded as it accrues and the portion for future accounting periods transferred to deferred items.

According to IAS 31.2, a joint venture exists when two or more partners conduct a business activity under their joint control. In this context, control means the possibility to determine the financial and business policies of the business activity in order to benefit from it. Joint control is defined as the contractually agreed sharing of the management of a business activity. According to the benchmark method, joint ventures are taken into account in the consolidated financial statements as per IAS 31.25 on a pro rata basis.

In the consolidated financial statements, shareholdings in companies in which the Salzgitter Group has the possibility to exercise significant influence on the financial and business decisions of those companies are valued using the equity method. The times at which companies are added to or removed from the group of companies valued using the equity method are determined using principles analogous to those applicable to subsidiaries. In the event of significant differences from the book value method, associated companies are shown on the basis of the revaluation method with their prorated equity at the time of acquisition. The equity valuation is generally based on the last audited annual financial statements with no financial statements being older than 12 months.

Third-party shares in the equity of consolidated companies are shown separately from the equity of Salzgitter AG shareholders.

Deferred taxes are calculated using the balance sheet oriented liability tax allocation method in accordance with IAS 12 (revised 1996). Under this method, anticipated future tax credits and debits are shown for temporary differences between the book values reported in the consolidated financial statements and the valuations of assets and debts for tax purposes.

Expected tax savings from the use of losses carried forwards assessed as realizable in the future are capitalized. The probability of realizing the future tax advantage is taken into consideration in the valuation of capitalized assets for future tax relief. The future distribution pattern is also considered.

Assets from future tax relief include capitalized deferred tax charges arising from temporary differences between the book values shown in the consolidated balance sheet and the values recognized for tax purposes as well as tax savings from loss carryforwards assessed as realizable in the future. Deferred tax claims in a tax jurisdiction are offset against deferred tax liabilities in the same jurisdiction if the time factors are the same.

Intergroup sales, expenses and income as well as receivables and payables between the consolidated companies are eliminated.

Intercompany profits from the supply of goods and services within the Group – unless of minor significance – are eliminated with an effect on results and with consideration being given to deferred taxes. Intergroup supplies and services are made on normal market terms.

Information on the major direct and indirect subsidiaries and shareholdings of Salzgitter AG is shown in a separate appendix to these Notes. A complete list of the Company's shareholdings is on file with the Commercial Register of the District Court in Peine under HRB 1047.

Scope of Consolidation

In addition to the annual financial statements of the parent company, the consolidated financial statements include the annual financial statements prepared as at the same balance sheet date of 22 domestic and six foreign affiliated companies. Two domestic companies whose fiscal years were not changed are exempt. Certified interim financial statements as at the balance sheet date exist for these companies and form the basis of their inclusion.

Two domestic joint ventures are included in the consolidated financial statements on a pro rata basis (in accordance with IAS 31 "Financial Disclosure of Interests in Joint Ventures" – revised 1998) after proportional consolidation.

Two domestic and nine foreign shareholdings in which Salzgitter AG and/or another Group company exercise a major influence are included at equity in the consolidated financial statements.

Thirty domestic and 18 foreign subsidiaries are not consolidated due to their minor significance, even when taken together, for the presentation of the Group's assets, financial and profit position.

Composition and development of the scope of consolidation (excluding Salzgitter AG) and of the group of companies valued at equity in the short fiscal year:

	Status on 9-30-00	Additions	Disposals	Status on 12-31-00
Consolidated subsidiaries	20	11	3	28
domestic	16	9	3	22
foreign	4	2	-	6
Joint ventures	-	2	-	2
domestic	-	2	-	2
foreign	-	-	-	-
Associated companies	3	8	-	11
domestic	1	1	-	2
foreign	2	7	-	9

Of the additions to the scope of consolidation, the acquisition of the Mannesmannröhren-Werke Group alone accounted for eight subsidiaries, two joint ventures and eight associated companies.

On May 26, 2000, Salzgitter AG signed an agreement with Mannesmann AG, Düsseldorf, for the purchase of 174,047,590 registered unit shares (94.3%) of Mannesmannröhren-Werke AG, Mülheim an der Ruhr, with economic effect from January 1, 2000.

The agreements and conditions stipulated in the contract were met in early October 2000. The shares were then transferred to Salzgitter AG under an agreement dated October 9, 2000, with legal effect from the same date.

The acquisition cost for the purchase of the Mannesmannröhren-Werke Group amounted to €1. A further 5% (acquisition cost also €1) is held by Salzgitter Fahrzeugteile GmbH, Brunswick, which is also consolidated for the first time.

This company was formed by Salzgitter AG, Peine, as sole partner on March 2, 2000. On May 26, 2000, Salzgitter AG sold a share equal to a nominal 5.2%.
The first-time inclusion of Salzgitter Fahrzeugteile GmbH, Brunswick, has had only marginal effect on the items of the consolidated financial statements.

The income statement and cash flow statement of the Mannesmannröhren-Werke Group and of Salzgitter Fahrzeugteile GmbH are included in the consolidated financial statements of Salzgitter for the full short fiscal year.

The first-time inclusion of the Mannesmannröhren-Werke Group resulted in the following significant effects on the balance sheet and income statement of the Salzgitter Group:

Balance Sheet in €million on 12-31-00	Prior to consolidation of MRW Group	After consolidation of MRW Group	Change
Goodwill from capital consolidation	-28.2	-361.2	-333.0
Tangible assets	1,146.0	1,321.8	+175.8
Financial assets	89.1	528.7	+439.6
Inventories	645.0	756.1	+111.1
Cash and cash equivalents	35.6	380.9	+345.3
Pension provisions	688.6	1,538.7	+850.1
Other provisions	319.7	414.3	+94.6
Liabilities to banks	272.3	81.7	-190.6
Income Statement for SFY 2000			
Sales	848.2	1,018.4	+170.2
Cost of materials	582.5	711.6	+129.1
Personnel expenses	155.3	212.2	+56.9
Income from associated companies	-0.6	29.4	+30.0
Income from ordinary operations	23.1	33.9	+10.8
Taxes	11.5	21.2	+9.7

The disposal of three domestic subsidiaries relates to Salzgitter Stahlhandel GmbH, Mannheim, and Salzgitter Stahlhandel GmbH, Gladbeck, as well as MHP Mannesmann Präzisrohr Holding GmbH, Hamm. Salzgitter Stahlhandel GmbH, Gladbeck, and Salzgitter Stahlhandel GmbH, Mannheim, were merged into the renamed Salzgitter Stahlhandel GmbH, Düsseldorf, (formerly Salzgitter Stahlhandel GmbH, Hannover). The merger was effected at book values retroactively to October 1, 2000. MHP Mannesmann Präzisrohr Holding GmbH, Hamm, was merged into Salzgitter AG. This merger was also effected at book values retroactively to October 1, 2000.

Currency Translation

In the individual financial statements of the companies, business transactions in foreign currencies are valued at the exchange rate at the date of first-time recording, if hedged forward on the hedging rate. Exchange rate losses from the valuation of receivables and/or payables occurring up to the balance sheet date are taken into consideration. Profits and losses from exchange rate fluctuations are recognized as income or expense.

The concept of the functional currency is applied to the translation of the annual financial statements of foreign subsidiaries. Since, from the point of view of Salzgitter AG, all of the companies are largely independent in the conduct of their financial, business and organizational affairs, the functional currency is the currency of the respective country where these companies are registered. Assets and liabilities are translated at the rate of exchange prevailing on the balance-sheet date; the items of the Income Statement and, thus, the income for the year shown in the Income Statement, are translated at the annual average rate.

The same principles apply analogously to the translation of the equity development of foreign subsidiaries valued at equity. Differences against the previous year's translation are offset against retained earnings with no effect on results. Goodwill is stated as an asset in the reporting currency. Expense and income items are translated at annual average rates, reserves at the rates prevailing on the balance sheet date.

Accounting and Valuation Principles

The annual financial statements of the subsidiaries included in the Salzgitter Group are prepared in accordance with uniform accounting and valuation principles and in compliance with IASC rules, irrespective of tax regulations.

Sales and other operating income are reported when the service has been rendered and/or the asset delivered and the risk has, thus, been transferred.

Dividends are recognized when the legal entitlement to them occurs; interest expense and interest income are reported for a proportionate period of time.

Assets are capitalized when the Salzgitter Group is entitled to all of the major risks and opportunities in connection with their use. Assets are valued at their continued acquisition or manufacturing cost. Financing costs are not capitalized.

The foreign exchange rates for currency translation developed as follows:

Foreign currency per €1	Rate on balance sheet date		Average annual rate	
	12-31-00	9-30-00	SFY 2000	1999/2000
Canadian dollar	1.39	1.32	1.32	1.41
U.S. dollar	0.93	0.88	0.88	0.95
British pound	0.62	0.60	0.60	0.62

Development costs are capitalized if a newly developed product or process can be clearly identified, is technically feasible, and is scheduled for internal use or is to be marketed. Moreover, capitalization is effected on the assumption that the development costs are most likely covered by future cash provided by financing activities. As at September 30/December 31, 2000, there were no major development costs in the Salzgitter Group that met these requirements. Research costs are shown as expenses.

The true book value of all intangible (including capitalized development costs and goodwill) and tangible assets is examined at the end of each fiscal year. Should the realizable amount of the asset fall below the book value, a non-scheduled depreciation is made. If the reason for a previously made non-scheduled depreciation no longer exists, an appreciation is made.

The shareholdings in non-consolidated affiliated companies shown under financial assets and the Group's other shareholdings are stated at acquisition cost, in some cases at lower fair values. If the reason for a previously made non-scheduled depreciation no longer exists, an appreciation is made. The shares in associated companies valued at equity are stated at the proportionate equity plus goodwill. Non interest-bearing or low-interest loans are generally valued at their cash value, while other loans are recognized at their nominal value.

Inventories are stated at cost of acquisition or manufacture. Valuation of inventories is predominantly based on the LIFO method. The manufacturing costs comprise the full costs; they are determined on the basis of normal capacity utilization. In addition to the directly attributable costs, manufacturing costs include appropriate shares of the necessary material and manufacturing overheads including production-related depreciation and pension expenses. The cost of long-term borrowings is not capitalized as part of the cost of acquisition or manufacture. Appropriate valuation adjustments are made to cover inventory risks from a lower realizable value. Lower values are recognized on the balance sheet date due to reduced net sale values. If the net sale value of previously devalued inventories has risen, the resulting increase is shown as a decrease in the cost of material.

All identifiable warehousing and inventory risks are taken into account through sufficient value adjustments.

Work in progress and finished goods as well as company-produced raw materials are valued at Group production costs which, in addition to direct costs, include depreciation and appropriate shares of the necessary overheads.

Receivables and other assets are stated at their nominal amounts. Value adjustments are made for identifiable specific risks; appropriate provision is made for the general credit risk on the basis of empirical values.

Provisions for pensions and similar obligations are calculated on the basis of the unit credit method. This procedure takes into account not only known pensions and pension rights on the balance sheet date but also anticipated increases in salaries and pensions. Current service costs are reported under personnel expenses, the interest portion of appropriations to pension provisions under net interest result. This also includes actuarial gains and losses resulting from differences between expected risks and those which actually occur in individual cases. The provisions for direct benefit obligations do not take account of the actuarial gains and losses within the limits of IAS 19 (+/- 10% of the projected unit credit). Amounts in excess of this corridor of +/-10% are offset pro rata over the remaining service time of the active employees with an effect on results and appropriated to pension provisions accordingly.

Provisions are made for contingent liabilities to third parties the occurrence of which is likely to result in a charge against assets. Taking into account all identifiable risks, they are stated at the probable settlement amount and not offset against claims under a right of recourse. Provisions are only made where there is a legal or factual basis for the liabilities to third parties.

All long-term provisions are shown at their discounted settlement amount on the balance sheet date.

Liabilities are carried at their repayment amounts.

Notes to the Income Statement

(1) Sales

(in K€)	SFY 2000	1999/2000
Breakdown by segments		
Flat rolled products	503,032	1,901,079
Sections	159,347	636,405
Tubes	213,119	38,697
Other	142,907	715,113
	1,018,405	**3,291,294**
Breakdown by regions		
Germany	524,603	1,690,110
Other EU countries	212,008	704,268
Other Europe	65,486	170,813
America	65,463	285,928
Other	150,845	440,175
	1,018,405	**3,291,294**

Sales revenues are reported when the service has been rendered and/or the goods or products delivered.

The breakdown by segments does not correspond to the segment reporting.

(2) Increase or decrease in finished goods and work in progress and other own work capitalized

(in K€)	SFY 2000	1999/2000
Increase or decrease in finished goods and work in progress	51,915	61,267
Other own work capitalized	1,145	6,195
	53,060	**67,462**

(3) Other operating income

(in K€)	SFY 2000	1999/2000
Insurance compensation	16,437	78,344
Reversal of provisions and allowances	24,680	17,637
Income from rents, leases and licenses	969	3,681
Release of negative goodwill from capital consolidation	14,130	2,394
Cost allocations	282	2,153
Income from disposal of fixed assets	470	1,353
Refunds from prior years	44	1,194
Other income	6,646	17,494
Other operating income	**63,658**	**124,250**

Insurance compensation payments include primarily compensation for two fires that occurred at Salzgitter AG in the previous year.

Other operating income includes income relating to other periods of €17 million (previous year: €12 million), essentially from releases of provisions for non-recurrent obligations, income from the disposal of fixed assets, insurance compensation, and costs refunded from previous years.

(4) Cost of materials

(in K€)	SFY 2000	1999/2000
Cost of raw materials, supplies and goods purchased	616,687	1,909,411
Costs of services purchased	94,882	281,752
Cost of materials	**711,569**	**2,191,163**

The cost of raw materials and supplies represents chiefly the cost of operating supplies, spare parts, and factory equipment.

The cost of services purchased relates essentially to energy, contracted work, and transportation.

In addition to the capacity-related increase in material input, higher prices for raw materials and energy, in particular, pushed costs up. The high exchange rate for the U.S. dollar contributed significantly to the increase in the cost of dollar-dependent raw materials. The greater use of purchased slabs also acted to increase costs.

(5) Personnel expenses

(in K€)	SFY 2000	1999/2000
Wages and salaries	165,077	475,779
Social security and provisions for pensions and welfare	47,152	106,169
thereof for pensions	[13,257]	[9,520]
Personnel expenses	**212,229**	**581,948**

Additions to pension provisions in the amount of €11.6 million (previous year: €6.7 million) are stated primarily as expenses for defined benefit pension obligations. The additions to pension provisions contain only pension benefits paid to former employees in the current fiscal year. Pension expenses do not include accumulated interest on pension provisions, which are shown under net interest result. The personnel expenses contain expenses relating to other reporting periods of €2.2 million (previous year: €824K).

Employees (annual average)	SFY 2000	1999/2000
Wage labor	11,641	8,942
Salaried employees	5,444	4,239
Total Group workforce	**17,085**	**13,181**

Excluding the changes in the Group's structure, the total workforce in the previous year would have been higher by 4,014 employees.

(6) Depreciation

Depreciation on intangible and tangible assets was offset as scheduled during the year under review and is shown in the Analysis of Fixed Assets.

Scheduled depreciation on goodwill from the acquisition of consolidated subsidiaries is made over a ten-year period using the straight-line method with consideration being given to the strategic importance of the acquisition and other factors determining the useful lives.

(7) Other operating expenses

(in K€)	SFY 2000	1999/2000
Outside services including the formation of provisions	59,283	182,666
Selling expenses	39,626	136,721
Administrative expenses including insurance costs, charges, fees, and contributions	14,549	39,798
Advertising/information and traveling expenses	4,150	13,501
Rents and leases	3,179	9,807
Allowances for doubtful accounts	1,492	3,580
Other expenses	15,429	11,736
Other operating expenses	**137,708**	**397,809**

The other operating expenses include expenses for other reporting periods in the amount of €13,869K (previous year: €4,774K).

(8) Income from shareholdings

(in K€)	SFY 2000	1999/2000
Income from profit transfer agreements	482	197
thereof from affiliated companies	[482]	[196]
Income from shareholdings	1,523	1,831
thereof from affiliated companies	[-]	[1,194]
Income from associated companies	29,436	-229
Expenses from the transfer of losses to affiliated companies	242	263
Write-downs of financial assets	838	-
Income from shareholdings	**30,361**	**1,536**

The income from associated companies was essentially derived from Vallourec & Mannesmann Tubes SA, Boulogne-Billancourt and Vallourec SA, Boulogne-Billancourt.

(9) Net interest income

(in K€)	SFY 2000	1999/2000
Income from loans of financial assets	108	337
Other interest received and similar income	9,282	6,902
thereof from affiliated companies	[270]	[647]
Interest paid and similar expenses	-29,224	-49,472
there of to affiliated companies	[-45]	[-149]
Net interest income	**-19,834**	**-42,233**

Interest paid includes €23.7 million (previous year: €36.7 million), which represents the interest portion of the additions to pension provisions.

(10) Taxes

(in K€)	SFY 2000	1999/2000
Income taxes		
Current tax expenses/income (+/-)	-17,217	34,612
Deferred tax expenses/income (+/-)	34,768	-10,318
	17,551	**24,294**
Other taxes	**3,686**	**2,861**
Total	**21,237**	**27,155**

Income taxes relate to the result from ordinary activities after deduction of other taxes. The German companies of the Salzgitter Group are subject to an average trade tax on income of approximately 17% of trading income, which is deductible from the corporate income tax. Corporate income tax is unchanged at 40% on retained earnings and 30% on distributed profits, in each case plus a solidarity surtax on the corporate income tax of 5.5%. Deferred taxes are uniformly computed by German companies at an average rate of 39% based on the corporate income tax rate for distributed profits. This takes into account the fact that under the provisions of the Tax Reduction Act, which came into effect on January 1, 2001, the rate of corporate income tax is a uniform 25% plus the solidarity surtax of 5.5%. Foreign income taxes are computed on the basis of the laws and regulations in effect in the individual countries.

The following deferred tax assets and liabilities stated in the balance sheet are attributable to accounting and valuation differences in the individual balance sheet items:

(in K€)	12-31-00		9-30-00	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	321	1,971	332	2,175
Tangible assets	16,673	164,390	15,685	153,954
Financial assets	42	9,087	47	8,976
Current assets	1,884	4,223	1,944	3,252
Pension provisions	44,272	357	44,979	290
Other provisions	14,377	11,889	14,521	8,294
Special reserve item	-	31,765	-	35,203
Other items	1,471	1,275	-	5
Total	**79,040**	**224,957**	**77,508**	**212,149**

Breakdown of the advantages from loss carryforwards:

(in K€)	12-31-00	9-30-00
Coporate income tax	42,335	12,519
Trade tax	7,587	-
Loss carryforwards	**49,922**	**12,519**

Development of capitalized tax savings from loss carryforwards realizable in the future:

(in €K)	SFY 2000	1999/2000
Capitalized tax savings on October 1	12,519	1,069
Changes in scope of consolidation and currency adjustments	72,650	12,519
Use of loss carryforwards	-35,247	-1,069
Capitalization of tax savings from loss carryforwards	**-**	**-**
Capitalized tax savings	**49,922**	**12,519**

As part of the expansion of the scope of consolidation, €72.7 million in deferred taxes were capitalized for loss carryforwards realizable in the future of two domestic subsidiaries and one foreign subsidiary. The use of loss carryforwards led to deferred tax expenses of €35.2 million in the short fiscal year, of which €24.6 million related economically to the fiscal year 1999/2000.

The capitalization of potential tax savings was waived for the existing loss carryforward as at December 31, 2000 (an amount in the hundreds of millions of euro), as the general exemption of shareholding income from 2002 made it appear unlikely that the loss carryforward would ever be used.

Transition from expected to accrued income tax expenses:

(in K€)	SFY 2000	1999/2000
Consolidated net income for the year before income tax	30,187	94,419
Expected tax expenses (tax rate 43%)	12,980	40,600
Tax portion for:		
Differences from tax rates	-248	-476
Tax-exempt income	-9,954	-5,923
Non-deductible expenses	342	523
Temporary differences and losses for which no deferred taxes were recorded	5,098	-290
Changes in tax rates	-91	-13,596
Tax expenses and income related to other periods	10,001	101
Effect of position as parent company	-844	-
Other deviations	267	3,355
Actual expenditure for income taxes	**17,551**	**24,294**

The actual income tax expense of €17.6 million is €4.6 million higher than the expected income tax expense of €13.0 million that would have resulted from the application of the domestic income tax rate to the Group net income before income tax; this was due, in particular, to aperiodic tax expenses.

The higher income tax expense resulted essentially from the corporate income tax charge on the dividend distributed by Salzgitter AG for the fiscal year 1999/2000 (€10.6 million) reported under aperiodic tax expenses.

(11) Consolidated net income attributable to minority interests

(in €K)	SFY 2000	1999/2000
Profit due to minority interests	341	1,128
Loss attributable to minority interests	-	-
Total	**341**	**1,128**

The income for the year due to minority interests accrues to Hansaport Hafenbetriebsgesellschaft mbH, Hamburg, Mannesmannröhren-Werke AG, Mülheim an der Ruhr, Salzgitter Fahrzeugteile GmbH, Brunswick, and Hövelmann & Lueg GmbH & Co KG, Schwerte.

(12) Earnings per share

In accordance with IAS 33, undiluted earnings per share are determined as the ratio of the consolidated net income for the year due to the shareholders of Salzgitter AG to the weighted average number of ordinary bearer shares outstanding during the fiscal year.

A dilution of earnings per share occurs when the average weighted number of shares is increased by adding the issue of potential shares from the warrants and conversion options issued by Salzgitter AG. Warrants and conversion options generally have a diluting effect if the preconditions exist for the conversion option.

The diluting effect of non-exercised warrants would occur on the basis of a subscription price of €12.10 per share. In the year under review, the share price was always below the subscription price of €12.10, so that a statement of the diluting effect of conversion options can be waived in this reporting year.

	Shares issued	Own shares	Shares in circulation
At beginning of fiscal year	62,400,000	3,848,803	58,551,197
Purchase of own shares		403,182	
Sale of own shares		**-141,782**	
At end of fiscal year	62,400,000	4,110,203	58,289,797
Weighted number of shares	62,400,000	3,935,681	58,464,319

Earnings per share (in K€)	SFY 2000	1999/2000
Consolidated net income for the year	12,636	70,125
Minority interests	341	1,128
Due to shareholders of Salzgitter AG	12,295	68,997
Earnings per share (in €)	**0.21**	**1.15**

Notes to the Consolidated Balance Sheet

(13) Goodwill from capital consolidation

Goodwill resulting from the capital consolidation of companies acquired prior to October 1, 1995, contimed to be offset against retained earnings in accordance with SIC 8. Goodwill acquired after October 1, 1995, is capitalized and amortized systematically over the useful life using the straight-line method and with an effect on results.

Goodwill and negative goodwill are netted under the intangible assets. The addition of negative goodwill is related to the acquisition of Mannesmannröhren-Werke AG, Mülheim an der Ruhr. It will be released as scheduled in line with the weighted average remaining useful life of existing non-monetary depreciable assets over seven years. The table shows the development of goodwill from capital consolidation:

Development of goodwill

in K€	12-31-00	9-30-00
Opening balance historical costs on October 1	1,812	1,812
Closing balance historical costs	1,812	1,812
Opening balance amortization on October 1	659	478
Amortization during current fiscal year	45	181
Closing balance amortization	704	659
Book value	**1,108**	**1,153**

Development of negative goodwill

in K€	12-31-00	9-30-00
Opening balance on October 1	31,085	562
Additions	345,371	32,917
Reversal	14,130	2,394
Closing balance	**362,326**	**31,085**

(14) Other intangible assets

The development of the individual items of other intangible assets is shown in the Analysis of Fixed Assets.

Other purchased intangible assets are shown at their acquisition cost and are subject to scheduled straight-line depreciation over their anticipated useful lives.

Internally produced intangible assets are capitalized if it is probable that a reliably estimable benefit for the Group will be realized. The manufacturing costs of internally produced intangible assets are determined on the basis of directly attributable individual costs and appropriate additions for overheads and depreciation. As of December 31, 2000, the book value of the capitalized internally produced intangible assets – these were exclusively computer software – totaled €2.8 million (previous year: €4.0 million).

Total expenditure for research and development in the period under review amounted to €4.0 million (€12.6 million).

Other intangible assets are depreciated over a maximum period of five years.

Additions are made when the reasons for non-scheduled depreciation in previous years no longer exist.

There are no major restrictions on ownership or disposal.

(15) Tangible assets

The development of the individual items of tangible assets is shown in the Analysis of Fixed Assets.

Breakdown of tangible fixed assets at book values:

(in K€)	12-31-00	9-30-00
Land and buildings	334,593	288,535
Technical equipment, plant and machinery	826,543	744,571
Other equipment, operational and office equipment	37,307	26,945
Construction in progress	111,535	89,399
Prepayments	11,848	458
Tangible assets	**1,321,826**	**1,149,908**

Tangible assets are valued at acquisition or manufacturing costs less use-related scheduled depreciation and, in individual cases, non-scheduled depreciation. Investment subsidies received are recognized as reductions of acquisition and manufacturing costs. Appropriate write-ups are made when the reasons for non-scheduled depreciation in previous years no longer exist.

The manufacturing costs of own work capitalized are determined on the basis of directly attributable individual costs and appropriate additions for overheads and depreciation. Financing costs for the period of manufacture are not included.

Minor assets (acquisition or manufacturing costs up to €409.04 (DM800.00)) are written off in full in the year of addition and shown as disposals.

Scheduled depreciation is essentially based on the following useful lives:

Buildings	minimum 40 years
Technical equipment, plant and machinery	10 – 20 years
Vehicles	maximum 5 years
Operational and office equipment	maximum 5 years

The cost of service and repair of tangible assets is recognized as expenditure. Replacement and maintenance expenses are capitalized as subsequent manufacturing costs if they result in a significant extension of the useful life, a substantial improvement or a major change in the use of the tangible asset concerned.

Major components of tangible assets that require replacement at regular intervals are capitalized as separate assets and depreciated over their useful lives.

Restrictions on ownership or disposal on the balance sheet date amounted to €8.7 million.

Historical costs of fully depreciated tangible assets still in use:

(in K€)	12-31-00
Land and buildings	129,859
Technical equipment, plant and machinery	1,320,761
Other equipment, operational and office equipment	84,049
Historical costs of tangible assets	**1,534,669**

(16) Financial assets

The development of the individual items of financial assets is shown in the Analysis of Fixed Assets.

Breakdown of financial assets:

(in K€)	12-31-00	9-30-00
Shares in affiliated companies	38,158	18,760
Shares in associated companies	425,255	17,920
Shareholdings	54,418	47,440
Other loans	10,879	5,631
Financial assets	**528,710**	**89,751**

The amount shown for associated companies “at equity” increased against the previous year by €407,335K. This was primarily due to the acquisition of the 99.3% stake in Mannesmannröhren-Werke AG, Mülheim an der Ruhr, and, thus, the acquisition of associated subsidiaries of Mannesmannröhren-Werke AG.

The change in other shareholdings (+ €7.0 million) is also essentially in connection with the purchase of Mannesmannröhren-Werke AG, Mülheim an der Ruhr.

The market value of the listed securities held as fixed assets (book value: €179.9 million) totaled €187.2 million on the balance sheet date (previous year: €69.6 million).

Of the other loans (€10.9 million), €3.0 million relate to the financing of warrant-linked bonds issued by Salzgitter AG to members of the Executive Board and other Group executives as part of the "Long-term Incentive Plan". These loans, which carry an interest rate of 5.0% p.a., are used solely to finance the purchase of warrant-linked bonds of Salzgitter AG and are scheduled for repayment by 2005 at the latest. The other loans relate almost exclusively to housing loans extended to employees.

(17) Inventories

(in K€)	12-31-00	9-30-00
Raw materials and supplies	200,672	128,286
Work in progress	148,183	115,295
Finished goods and merchandise	383,775	278,114
Prepayments	23,424	23,259
Inventories	**756,054**	**544,954**

Raw materials and supplies as well as merchandise are valued at cost of acquisition or net realizable value.

Work in progress and finished goods are valued at the lower of manufacturing costs or net realizable value. Manufacturing costs include material and direct manufacturing costs, special direct manufacturing costs and manufacturing-related portions of material and manufacturing overheads and depreciation.

Financing costs for the production period along with the cost of Company pension plans are not included.

Individual markdowns are made for all inventories if the income likely to be realized from their sale or use is less than the book value of the inventories concerned. The markeddown value is the probable sales revenue less presale costs. When the grounds for a markdown of inventories no longer exist, the original values are reinstated. During the period under review, this resulted in an addition of €1.2 million.

The LIFO method is generally applied to inventory assets of the same kind. The value of the inventories to which the LIFO method is applied is approximately €14.3 million below the valuation based on replacement costs.

The book value of inventories stated at net realizable value amounted to €2.2 million.

(18) Trade receivables

(in K€)	12-31-00	9-30-00
Due from third parties	577,502	523,939
Due from affiliated companies	17,416	18,451
Due from shareholdings	17,341	5,836
Trade receivables	**612,259**	**548,226**

The trade receivables include €4.5 million with a remaining term of more than one year. Appropriate value adjustments were made for all identifiable risks, general risks, the credit risk based on empirical values, and for particular country risks.

(19) Other receivables and assets

(in K€)	12-31-00	9-30-00
Other receivables from affiliated companies	21,046	20,025
thereof from loans	[4,736]	[5,565]
thereof other receivables	[16,310]	[14,460]
Other receivables from shareholdings	21,235	315
thereof from loans	[3,597]	[190]
thereof from land sales	[9,716]	-
thereof other receivables	[7,922]	[125]
Other receivables	**42,281**	**20,340**
Income tax refund claims (including other taxes)	40,276	13,917
Deferred interest	203	77
Advance Company pension payments	2,899	2,808
Assets for sale	13,042	8,531
Grants for early retirement	5,115	5,671
Receivables from insurance claims	12,405	15,503
Other assets	22,735	16,905
Other assets	**96,675**	**63,412**
Other receivables and assets	**138,956**	**83,752**

The other receivables and assets include €1.3 million with a remaining term of more than one year.

As in the previous year, the other receivables and assets are not subject to any material restraints on ownership or disposal.

The receivables from finance leasing stated under other receivables are shown in the following table:

(in K€)	Remaining term < 1 year	Remaining term 1-5 years	12-31-00 Total	9-30-00 Total	Remaining term < 1 year
Total gross investment	1,978	4,261	6,239	6,040	2,369
Unearned financial income	282	607	889	820	328
Book value	**1,696**	**3,654**	**5,350**	**5,220**	**2,041**

The receivables relate essentially to the leasing of communications equipment to third parties.

(20) Cash and cash equivalents

(in K€)	12-31-00	9-30-00
Bank balances	380,685	21,961
Checks, cash on hand and Central Bank balances	269	348
Cash and cash equivalents	**380,954**	**22,309**

(21) Accruals for deferred tax charges

If it is thought likely that tax advantages will be realized, these must be capitalized. Deferred taxes may only be offset if the deferred tax charges and liabilities exist with respect to the same tax authority.

The deferred tax charges relate to a foreign subsidiary newly acquired and consolidated for the first time in the year under review.

The development of the loss carryforwards, shown both as assets and liabilities, is explained in Note 10.

(22) Prepaid expenses

The prepaid expenses include, above all, deferred expenses for contributions, property taxes and motor vehicle taxes.

(23) Shareholders‘ equity

The development of shareholders’ equity of the Salzgitter Group is shown in the Statement of Changes in Equity.

(24) Subscribed capital

Pursuant to a resolution adopted by the Shareholders’ Meeting of March 16, 1999, the Company’s fully paid subscribed capital was converted to euro at the conversion rate fixed by the Council of the European Union for the German mark of €1 = DM1.95583. It stands at €159,523,066.93 or unchanged at DM312.0 million and is divided into 62,400,000 bearer shares with a nominal value of €2.56 (=DM 5.00).

Hannoversche Beteiligungsgesellschaft mbH, Hanover, a company owned by the State of Lower Saxony, holds more than 25% of the stock of Salzgitter AG. In a voluntary notification pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) Norddeutsche Landesbank Girozentrale notified us on September 1, 2000, that Nord/LB and its subsidiaries controlled a total of 35.289% of the stock of Salzgitter AG.

By December 31, 2000, the Executive Board had not made use of the authorization granted to it by the Shareholders’ Meeting to make conditional capital increases.

Under a resolution adopted by the Shareholders’ Meeting of April 23, 1998, conditional capital of up to DM10 million (after the conversion: €5,112,918.81) was created for the issue of option bonds.

These option bonds consist of a 5% interest-bearing bond issued by Salzgitter AG (term 1998 to 2005) plus attached warrants which, when exercised, entitle the holder to purchase stock in Salzgitter AG.

The bonds subscribed for €3,742,145.28 on the balance sheet date are divided into 7,319 bond certificates worth €511.30 each with 200 warrants per certificate; subscription is restricted to executives of the Salzgitter Group. The warrants can be exercised after a 36-month waiting period only after defined conditions have been met. The following benchmarks must be met:

- the share price must be at least DM27.23 (€13.92),
- the share price development of Salzgitter AG stock must outperform a comparable index (consisting of companies in the same sector), and
- the employee must have an unterminated employment contract with a company of the Salzgitter Group.

Moreover, under a resolution adopted by the Shareholders' Meeting of March 16, 1999, the capital stock was conditionally increased by up to €10,225,837.63 through the issue of up to 4,000,000 bearer shares. The conditional capital increase is for the purpose of granting warrants and/or conversion options and may only be implemented as and when warrants and conversion options are exercised.

Subject to approval by the Supervisory Board, the Executive Board has been authorized to float one or more issues of interest-bearing warrants and/or convertible bearer bonds with a total value of €50 million and a term of no more than 10 years by March 15, 2004, and to grant the holders of the respective bond certificates warrants and/or conversion options for new Salzgitter AG stock up to a total of 4,000,000 shares.

(25) Capital reserves

Of the capital reserves (€287.5 million), a premium paid on October 1, 1970, in connection with a capital increase accounts for €115.2 million. Other amounts totaling €111.2 million relate to retained earnings from the time prior to the merger of Ilseder Hütte and Salzgitter Hüttenwerke AG that were transferred to the former Preussag Stahl AG and one other additional cash payment by the then principal shareholder from the years 1971/72. In addition, the reserve of €12.0 million assumed in connection with the merger with Walzwerk Ilsenburg was reclassified and transferred to capital reserves as permitted under Section 27 (2) of the German Accounting Act (DMBilG).

Under the terms of the demerger agreement, assets valued at DM1.00 each were sold to Salzgitter AG by Preussag AG. Under the rules of the IASC, these assets were recognized at their attributable values (€49.1 million) and the differences transferred to capital reserves.

(26) Retained earnings

As defined in the reporting requirements of the Commercial Code, the retained earnings are other retained earnings. These include transfers from the current fiscal year or from previous years and differences from the currency translation of the annual accounts of foreign subsidiaries without effect on profits, which are offset particularly against goodwill from the capital consolidation of subsidiaries acquired prior to September 30, 1995. The bylaws of Salzgitter AG contain no provisions for the formation of reserves.

The retained earnings contain differences from currency translations of - €7.1 million.

Salzgitter AG holds 4,110,203 treasury shares with an arithmetical nominal value of €10,507,567.12 = 6.59% of the subscribed capital. In the year under review, Salzgitter AG increased its portfolio of 3,848,803 treasury shares held at the end of the previous year by reacquiring 403,182 shares with a total arithmetical value of €1,030,718.42 = 0.65% of the subscribed capital. The purchases were effected in the months of November (290 shares) and December (402,892 shares) at acquisition costs of €3,478,117.32 (an average of €8.63 per share). Of this total, 314,202 shares were acquired for the purpose of passing them on to employees of Salzgitter AG and its subsidiaries (pursuant to Section 71 (1) (8) of the German Stock Corporation Act (AktG)) – in particular for possible corporate acquisitions and other employee participation plans. Salzgitter AG sold a total of 141,782 shares with a total nominal value of €362,459.93 = 0.23% of the subscribed capital. Of this total 350 were sold to its own employees and 88,690 shares to employees of subsidiaries at an average price of €8.00 per share. A further 51,592 shares (total nominal value €131,892.85 = 0.08% of the subscribed capital) were given to Group employees as bonuses. The remaining 1,150 shares were used in lieu of cash at an average price of €9.30 per share as payment for marketing activities undertaken by third parties.

(27) Non-distributed income

Under German commercial law, the net income as shown in the annual financial statements of Salzgitter AG is definitive in determining the dividend to be distributed to the company's stockholders. The non-distributed income shown in the consolidated financial statements for the Salzgitter Group is the same as that shown in the annual financial statements of Salzgitter AG. The transition from the Group net income for the year to the non-distributed income of Salzgitter AG is shown in the income statement.

In view of the motion presented for the appropriation of the net income for the fiscal year 1999/2000 (distribution of a dividend of €0.40 per share = €25.0 million based on the nominal capital stock of approximately €159.5 million), a motion will be submitted to the Shareholders' Meeting of Salzgitter AG to distribute a dividend of €0.15 per share = €9.4 million based on the nominal capital stock of approximately €159,5 million for the short fiscal year and to carry the remainder forward to retained earnings.

Due to the inclusion of income earned abroad, there will be no dividend-linked tax credit for our domestic stockholders for the short fiscal year. Based on the stock market price of Salzgitter stock on December 29, 2000, of €8.90, this results in an annual dividend yield of 6.7%. The cash dividend amounts to €0.11 per share after deduction of capital gains tax and the solidarity surtax.

Tax calculation	euro/share
Cash dividend	0.11
Capital gains tax/solidarity surtax	0.04
Net dividend	0.15
Corporation tax	-
Gross dividend	0.15

The motion for the appropriation of the net income will be amended on the day of the Shareholders' Meeting for any treasury shares the Company may hold on that date as these shares are not entitled to a dividend.

(28) Minority interests

Minority interests comprise third-party interests in the equity, general reserves and profits and losses of the Group companies. The minority interests in equity relate primarily to Hansaport Hafenbetriebsgesellschaft mbH, Hamburg, and Mannesmannröhren-Werke AG, Mülheim an der Ruhr. A further minority stake relates to Hövelmann & Lueg GmbH & Co. KG, Schwerte, and to Salzgitter Fahrzeugteile GmbH, Brunswick.

(29) Provisions for pensions and similar obligations

Germany has a statutory defined contribution pension system to provide employees' basic retirement income based on income and contributions paid. Once the Company has remitted the contributions to the Public Social Security Administration and the privately administered pension funds, it has no further benefit obligations. Current contribution remittances are recognized as expenses for the accounting period. In the short fiscal year 2000, all defined contribution pension expenses in the Salzgitter Group totaled €16.5 million.

In addition, the Salzgitter Group operates a company pension scheme based on defined benefit plans that are covered by provisions. There are no pension obligations financed by funds.

Provisions for pensions and similar obligations:

(in K€)	12-31-00	9-30-00
Pension provisions	1,536,553	683,904
Similar obligations	2,144	2,076
Total	**1,538,697**	**685,980**

The provisions for pensions and similar obligations developed as follows:

(in K€)	Pensions provisions	Similar obligations	Total
Opening balance of October 1	683,904	2,076	685,980
Additions from changes in scope of consolidation	844,990	-	844,990
Payments made	-26,867	-37	-26,904
Reversal	-753	-1	-754
Additions	11,591	106	11,697
Accrued interest	23,688	-	23,688
Closing balance on December 31	**1,536,553**	**2,144**	**1,538,697**

The provisions for pension obligations are made on the basis of commitments to pay retirement, disability and surviving dependents' benefits. Provisions were formed solely for defined benefit obligations under which the Company guarantees employees a certain level of benefits. Provisions for similar obligations include bridge payments in cases of death. The pension provisions are almost entirely for the benefit obligations of the Group's German companies.

Benefit obligations are valued on the basis of actuarial calculations and assumptions. In calculating defined benefit obligations, the anticipated future increases in salaries and pensions are taken into account in accordance with the internationally used projected unit credit method.

Fundamental actuarial premises applied in the Salzgitter Group:

	12-31-00	9-30-00
Discount rate	6.5%	6.5%
Projected salary increases	2 – 3%	2 - 3%
Projected pension increases	1.33% - 1.5%	1.33% - 1.5%
Employee turnover rate	1% p.a.	1% p.a.

The tables of biometric probabilities published in November 1998 (Heubeck Mortality Tables 1998) had already been used in the valuation of the pension provisions at October 1, 1998, and were taken into account without affecting results in the changeover to IASC accounting rules.

Transition from projected unit credit method to provisions for pension obligations recognized in the balance sheet:

(in K€)	12-31-00	9-30-00
Actual projected unit credit of all benefit obligations	1,493,960	648,950
Difference based on adjusted actuarial assumptions	42,593	34,954
Recognized provisions	**1,536,553**	**683,904**

In the current fiscal year, the difference based on adjusted actuarial assumptions amounts to €42.6 million and is, therefore, within the 10% range defined in IAS 19.

(30) Tax provisions and other provisions

	On 10-1-00	Additions from changes in scope of cons.	Use	Reversal	Additions	Accumu-lated interest	On 12-31-00
Tax provisions	143,840	-63,718	-3,206	-5,495	42,975	-	114,396
thereof for current income tax	[20,333]	[128]	[-270]	[-2,058]	[1,088]	-	[19,221]
thereof for deferred taxes	[120,459]	[63,954]	[2,330]	[-3,437]	[38,884]	-	[89,622]
thereof for other taxes	[3,048]	[108]	[-606]		[3,003]	-	[5,553]
Personnel sector	66,942	66,419	-17,153	-7,540	11,952	2,218	122,838
thereof layoff plan/ partial retirement	[29,877]	[43,621]	[-9,973]	[-1,614]	[5,664]	[1,159]	[68,734]
Typical operating risks	19,740	13,472	-1,698	-1,628	2,034	-	31,920
Other provisions	60,277	98,174	-9,535	-16,826	13,087	-	145,177
thereof discounts/ complaints	[23,936]	[3,480]	[-4,997]	[-1,739]	[6,257]	-	[26,937]
Total	**290,799**	**114,347**	**-31,592**	**-31,489**	**70,048**	**2,218**	**414,331**

The tax provisions include provisions for current and deferred income taxes as well as for other taxes. Assuming they exist in the same fiscal jurisdiction and are alike in type and maturity, current income tax provisions are offset against corresponding tax refund claims. The change in deferred tax provisions is explained in Note 10.

Provisions for typical operating risks are formed for waste management and recultivation obligations, in particular.

The provisions for personnel expenses contain essentially obligations under layoff plans, anniversary bonuses and obligations under partial retirement contracts.

The assumed rate of interest applied to the valuation of the anniversary bonus obligations shown under the personnel sector is generally 5.5% p.a.

The long-term portion of the provisions for partial retirement and layoff plans is discounted at 6% p. a.

The grants for severance pay and transitional assistance under the terms of the ECSC Treaty paid to employees leaving the company under layoff plans are capitalized as assets in the amount of €5.1 million (previous year: €5.7 million) and not offset against provisions.

The provisions for other risks primarily contain provisions for litigation risks and discounts.

Maturities of tax and other provisions:

(in € K)	Total 12-31-00	Remaining term < 1 year	Remaining term > 1 year
Tax provisions	114,396	22,183	92,213
thereof for current income tax	[19,221]	[10,648]	[8,573]
thereof for deferred tax	[89,622]	[5,997]	[83,625]
thereof for other taxes	[5,553]	[5,538]	[15]
Personnel sector	122,838	81,782	41,056
thereof layoff plan/partial retirement	[68,734]	[49,239]	[19,495]
Typical operating risks	31,920	15,682	16,238
Other provisions	145,177	97,234	47,943
thereof discounts/complaints	[26,937]	[26,937]	-
Total	**414,331**	**216,881**	**197,450**

(31) Liabilities

Remaining terms (in K€)	< 1 year	> 5 years	12-31-00 Total	9-30-00 Total	< 1 year
Financial obligations					
Bonds	-	-	3,742	3,793	-
Liabilities to banks	55,454	21,559	81,744	206,961	185,812
	55,454	**21,559**	**85,486**	**210,754**	**185,812**
Trade payables					
to third parties	259,362	-	259,366	210,938	210,932
to affiliated companies	4,665	-	4,665	8	8
to shareholdings	20,542	-	20,542	839	839
	284,569		**284,573**	**211,785**	**211,779**
Other liabilities					
to affiliated companies	31,845	-	31,845	8,089	3,022
other liabilities	121,437	403	121,981	101,133	100,919
thereof from taxes	[30,274]	-	[30,274]	[15,554]	[15,554]
thereof for social security contributions	[18,438]	-	[18,438]	[16,365]	[16,365]
thereof to employees	[11,672]	-	[11,672]	[37,498]	[37,498]
thereof from real estate sales	[3,837]	-	[3,837]	-	-
thereof from other liabilities	[57,216]	[403]	[57,760]	[31,716]	[31,502]
	153,282	**403**	**153,826**	**109,222**	**103,941**
Total liabilities	**493,305**	**21,962**	**523,885**	**531,761**	**501,532**

Assuming that the performance-based conditions stated in the terms of the bond have been met, the bond may be converted to Salzgitter AG stock after expiration of a three-year waiting period (starting September 28, 2001, at the earliest) up to September 23, 2005. Please also read note 24.

Of the total amount of liabilities, €24,895K are secured by mortgages.

The remaining book value of the real estate held for sale amounts to €141K.

(32) Deferred income

The deferred income item results primarily from deferred interest derived from the interest on prepayments.

Public-sector grants designed to promote investment (investment grants) are transferred to deferred income and released to income on a prorated basis in line with the useful lives of the respective assets – in the short fiscal year 2000 in the amount of €0.1 million.

Contingent liabilities

Contingent liabilities are non-reported contingent liabilities that are shown at the maximum possible demands. The total amount is €56.2 million (previous year: €58.2 million).

Contingent liabilities include bill exposure totaling €23.6 million (previous year: €26.0 million).

The guarantee obligations relate to commitments for non-consolidated affiliated companies in Asia and Eastern Europe amounting to €12.2 million. Moreover, a domestic joint venture has prorated guarantee commitments of €1.1 million. The remaining guarantee commitments are for AP Steel Ltd., Scunthorpe, England.

In connection with the stock issue of 1997/1998, Salzgitter AG have the usual assurances, warranties and releases as part of its prospectus liability. The Company's liability is limited to 40%.

Neither Salzgitter AG nor any Group company is a party to any pending or foreseeable litigation or arbitration proceedings that might materially affect their economic situation. Furthermore, the respective Group companies have made appropriate provision for potential financial burdens arising from litigation or arbitration proceedings.

Other financial obligations

Order commitments exist for investments (€129.7 million), commitments for long-term leases (€41.6 million), and other commitments (€7.2 million) for a total of €178.5 million.

Except for an amount of €31.7 million, the other financial obligations have a remaining term of up to one year.

The other financial obligations from long-term rental contracts and leases break down as follows:

Future rent and lease obligations

(in K€)	12-31-00	9-30-00
Up to 1 year	15,440	13,081
1 to 5 years	13,250	12,628
Over 5 years	12,948	28,008
Total	**41,638**	**53,717**

Financial instruments

Financial instruments are contract-based commercial transactions entailing claims on financial assets. Pursuant to IAS 32, financial instruments comprise, on the one hand, primary financial instruments such as trade receivables and payables, financial claims and debts and, on the other hand, derivative financial instruments used to hedge risks from changes in exchange and interest rates.

The portfolio of primary financial instruments is shown in the Balance Sheet. Those on the asset side are recognized at acquisition costs less any necessary write-downs; financial instruments carried as liabilities are shown at the higher of nominal or redemption value.

The fair value of a primary financial instrument is the price realizable in the marketplace, i.e. that price at which the financial instrument can be freely traded between two parties in a current transaction. The fair value of the securities held as fixed assets is derived from their market price. This is a shareholding in a joint stock corporation listed in the United States (the fair value of which is €28.6 million over book value). Securities issued by two listed European companies are also held. There are no significant discrepancies between book and fair values for the remaining primary financial instruments.

Credit or default risks arise from the danger that counterparties will not be able to meet their obligations in a transaction involving a financial instrument, thus causing a loss of assets. To partially cover bad-debt risks and to make use of a special information service, we have a trade credit insurance policy for the German market and an export credit insurance policy for customers in certain foreign markets, both with Gerling. Additionally, bad-debt risks for deliveries to Scandinavian customers are insured by a Swedish credit insurance agent. The trade credit policy does not cover sales to direct trading companies or to the companies in the iron and steel industry, which are comprehensively covered through Delkrederestelle Stahl, or merchandise credit lines below €51K.

Currency risks, i.e. the potential decline in the value of a financial instrument caused by exchange rate fluctuations, exist particularly when receivables or payables are denominated in a currency other than the Company's local currency or will be in the planned course of business.

Receivables in foreign currencies other than those of the European Monetary Union and the U.S. dollar are hedged through various banks by means of forward exchange contracts. The respective claims are stated at the agreed exchange rate.

Currency transactions in U.S. dollars are first netted within the Group by offsetting sales and purchase positions; the remaining amounts are hedged through forward exchange and option contracts.

Derivative financial instruments are used to hedge currency risks. These instruments cover only currency exposure from current and pending underlying transactions. In the fiscal year now ended, this was done by means of forward exchange and option contracts. Derivative financial transactions are subject to continuous risk controls and are conducted under strict separations of the functions of sales, shipping, documentation, and control.

As a rule, currency derivatives have a term of up to 12 months except for the sale of forward exchange contracts in USD with a term of more than one year with a nominal value of €13,975K and a fair value of -€2,657K.

The nominal volume of forward exchange contracts is the unbalanced total of all purchase and sales amounts valued at the respective settlement rates. The fair values were generally determined based on the situation on the balance sheet date at the values at which the respective derivative financial contracts were traded and/or quoted with no consideration being given to any opposite movements of the underlying transaction.

(in K€)	Nominal value	Fair value	Nominal value	Fair value
	12-31-00	12-31-00	9-30-00	9-30-00
Forward exchange contracts				
Purchase				
DKK	20	-	459	-1
GBP	10,880	-263	7,193	189
NOK	310	-6	591	-
SEK	20	-	110	-
CAD	3,725	66	3,813	-43
CHF	12	-	-	-
USD	150,153	-3,603	157,364	12,552
Sale				
CHF	223	1	780	-14
DKK	2,152	-1	2,634	-6
GBP	44,884	994	36,907	-834
NOK	2,361	44	2,827	-42
CAD	4,543	-93	4,477	-121
SEK	6,320	226	7,364	158
USD	368,224	1,501	355,116	-30,251
Option contracts				
USD	10,750	2	20,691	82

The transactions are conduction only with banks of the highest credit standing.

33) Cash flow statement

The cash flow statement shows the development of the flow of payments, broken down into the inflow and outflow of funds from current operations, investment and financing activities, for the fiscal year 1999/2000 and for the short fiscal year 2000 in accordance with IAS 7. The cash flow statement is deduced indirectly from the consolidated financial statements of Salzgitter AG.

The financial resources used consist of cash on hand, checks and bank balances.

Income from the disposal of fixed assets is eliminated in cash inflow from current operations. The income tax of €34.0 million paid in the previous year is allocated to current operations. For the short fiscal year 2000, Salzgitter AG received a refund of €2.7 million, which is also allocated to current operations. Interest income amounted to €9.4 million.

The investments shown under outflow of funds for investment activities include additions to intangible, tangible and financial assets. In addition to a number of investments for rationalization and replacement, primarily for improvement, renewal and safety of production facilities and information processing systems, various major investments are aimed chiefly at further raising the product quality level and at extending the value chain. Of the disbursements for investment to financial assets, €25.0 million was derived from the assumption of the funds of Mannesmannröhren-Werke AG, which were consolidated for the first time.

Interest expenses are allocated exclusively to financing activities. Payments received from income of shareholdings in the fiscal year amounted to €1.1 million.

During the period under review, the Group acquired the Mannesmannröhren-Werke Group for €1.00. The attributable market value of the acquired assets and the assumed debts were as follows:

in € million	**9-30-00**
Fixed assets	594
Inventories	112
Receivables	139
Cash and cash equivalents	25
Other assets	598
Minority interests in shareholders' equity	1
Pension provisions	845
Other provisions	113
Liabilities	164
Negative goodwill from capital consolidation	**345**

34) Segment reporting

The segmentation of the Salzgitter Group into five divisions follows the internal management and reporting of the Group.

The segment reporting attributes the business activities of the Salzgitter Group in line with the Group's structure to the Steel Production, Tube, Steel Trading, Raw Materials/Services, and Industrial Shareholdings Divisions.

The individual accounts of Salzgitter AG (excluding income from shareholdings) are included in the Steel Production Division. This division comprises the three facilities at Salzgitter, Peine and Ilsenburg, each of which is specialized in specific product lines. Expenses and income attributable to the future management holding company are reported in the consolidation/ other unit. The previous year's figures have been adjusted accordingly.

The Tube Division comprises the Mannesmannröhren-Werke Group acquired in the fiscal year under review. Mannesmannröhren-Werke AG, Mannesmann Forschungsinstitut GmbH, Mannesmannröhren Mülheim GmbH, Mannesmann Service GmbH, MHP Mannesmann Präzisrohr GmbH, Mannesmann Line Pipe GmbH, Wälzlagerrohr GmbH, Robur Buizenfabriek BV and MHP-Mannesmann Presné Trubky s.r.o. are fully consolidated. In addition, this group includes the two joint ventures Europipe GmbH and Röhrenwerk Gebr. Fuchs GmbH, which are included in the consolidated financial statements on a prorated basis. Vallourec SA, Vallourec & Mannesmann Tubes SA, Vallourec & Mannesmann

Tubes Corporation, Borusan Mannesmann Boru Yatirim Holding A.S., DMV Stainless BV and Hüttenwerk Krupp Mannesmann GmbH are allocated to this division as associated companies valued at equity.

The Steel Trading Division comprises the companies of the Salzgitter Trading Group plus Hövelmann & Lueg GmbH & Co KG. The 50% shareholding in Universal Eisen und Stahl GmbH is also allocated to this division but is not in the scope of consolidation.

The Raw Materials/Services Division consists of the companies DEUMU Deutsche Erz- and Metall-Union GmbH, PPS Personal-, Produktions- und Servicegesellschaft mbH, telcat-Gruppe, GESIS Gesellschaft for Informationssysteme GmbH, Hansaport Hafenbetriebsgesellschaft mbH, “Glückauf” Wohnungsgesellschaft mbH, VPS Verkehrsbetriebe Peine-Salzgitter GmbH, and income from shareholdings allocated to this division.

The companies in this division primarily supply services for the Group. However, the know-how employed and the existing infrastructure are also increasingly to be offered to other companies. Services comprise information processing, telecommunications services, scrap trading, transshipment and storage of bulk goods, transportation, and other services.

The Industrial Shareholdings Division consists of HSP Hoesch Spundwand and Profil GmbH, acquired in the previous year, and Salzgitter Fahrzeugteile GmbH. The non-consolidated companies Salzgitter Automotive Engineering GmbH, Oswald Hydroforming GmbH & Co. KG and the Wescol Group plc, which is valued at equity, are also allocated to this division. In addition, the stakes in Steel Dynamics, Salzgitter Bauelemente GmbH, Magnesium-Technologie Salzgitter GmbH, Salzgitter Europlatinen GmbH and Europlatinen Holding GmbH are allocated to this division.

Division sales are additionally broken down by registered seats of customers. Interdivision sales are generally conducted on normal market terms, as are transactions with third parties.

Depreciation relates only to division assets and does not include amortization of goodwill from the acquisition of consolidated subsidiaries.

Extraordinary write-downs of financial assets in the amount of €0.8 million, which occurred only in the Raw Materials/Services Division, relate to shares in an affiliated company not included in the consolidated financial statements.

In the interest of an accurate presentation of the investment income of the divisions as part of internal Group management, income from companies valued at equity also includes amortization of the goodwill of these companies.

Segment operating assets and liabilities comprise the assets and/or borrowed capital – excluding interest-bearing claims and without income tax claims and liabilities – needed for operations.

The investments are additions to tangible and intangible assets exclusive of the goodwill from the acquisition of shareholdings.

Related party disclosures

According to reports made to the Company pursuant to Section 21 of the German Securities Trading Act (WpHG) and other records, Hannoversche Beteiligungsgesellschaft mbH, Hanover, a company wholly owned by the State of Lower Saxony, held 25.5% of the shares of Salzgitter AG on the balance sheet date. Furthermore, according to a voluntary notification pursuant to Section 21 WpHG, NORD/LB and its subsidiaries hold a total of 35.3% of the shares of Salzgitter AG.

During the period under review, payment transactions, term money borrowings and deposits as well as currency forwards were conducted with NORD/LB and other banks. These transactions were based on normal market conditions.

Salzgitter AG conducts business transactions based on underlying supply and service contracts with companies of the Salzgitter Group (including associated companies) which, from an economic standpoint, are invoiced on normal market conditions. Services and goods supplied by Group companies are procured based on economic considerations on normal market conditions or on conditions that would also be extended to third parties.

Administrative costs and operating costs are passed on with a view to covering costs.

In the year under review, Salzgitter AG covered its requirements for capital goods, raw materials and supplies from within the Group to the extent that the Group companies were able to supply on competitive terms or at market prices in terms of quality and price.

In internal Group clearing transactions, daily maturities were settled uniformly at 6%. The subsidiaries were charged interest at between 4.46% and 6.00% p.a. for term money borrowings and credited with 4.73% to 6.00% p.a. for term deposits. These financial transactions resulted in interest income for Salzgitter AG of €5.4 million and interest expenses of €5.6 million. In no instance were the terms disadvantageous for the Company.

On the balance sheet date, Salzgitter AG had given guarantees in various forms to the creditors of its subsidiaries:

K€	
Guarantees and letters of comfort to secure long-term loans	4,842
Guarantees and letters of comfort for down payments, rent security deposits and warranties	8,945
Other guarantees	16,934
Borrowing requests for guarantees, letters of credit, overdraft facilities and long-term loans	218,000
thereof used	130,874

No charge was made for these and other similar legal transactions conducted during the year under review.

Option bonds were issued for members of the Executive Board and other executives of the Salzgitter Group under the Long-Term Incentive Program, details of which are contained in note 24.

In connection with the Long-Term Incentive Program, executives and Executive Board members were granted loans valued at €511K on December 31, 2000.

Supervisory Board and Executive Board

The members of the Supervisory Board and Executive Board are listed separately. The members of the Executive Board received remuneration totaling €1.1 million in the fiscal year under review. In the same period, the emoluments paid to the members of the Supervisory Board totaled €0.1 million. Former members of the Executive Board and their surviving dependents were paid a total of €0.2 million in the fiscal year under review. Pension commitments to former members of the Executive Board and their surviving dependents are covered by provisions totaling €7.2 million.

Salzgitter, March 20, 2001
The Executive Board

Leese

Fuhrmann

Geisler

Jacob

Kolb

Pfitzner

AUDIT OPINION

Based on the final result of our audit, we rendered the following unqualified audit opinion on March 21, 2001:

"Auditors' opinion

We audited the consolidated financial statements of Salzgitter AG, Peine, consisting of the Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity and notes for the Short Fiscal Year from October 1 through December 31, 2000. The compilation and content of the consolidated financial statements are the responsibility of the Executive Board. Our task is to render an assessment based on our audit as to whether the consolidated financial statements comply with the International Accounting Standards (IAS).

Our audit of the consolidated financial statements was performed in compliance with German audit regulations and the German principles of orderly accounting as stipulated by the (German) Institute of Auditors (IdW). These require that the audit be planned and conducted in such a manner that errors and violations significantly affecting the presentation of the Group's asset, financial and earnings position as conveyed by the consolidated financial statements are identified with sufficient certainty. The scope of the audit was planned taking into account our knowledge of the Group's business operations, its economic and legal environment, and any potential errors anticipated. As part of the audit, the disclosures contained in the Group financial statements are assessed on the basis of random examination. The audit includes the evaluation of the applied accounting and consolidation principles and the major assessments by the Executive Board as well as an assessment of the overall presentation of the Group financial statements. We believe that our audit provides a reasonably sound foundation for our opinion.

In our opinion, the consolidated financial statements are in compliance with the IAS and present a true and fair view of the Group's asset, financial and earnings position as well as of the cash flow during the short fiscal year.

Our audit, which also covered the Group Management Report for the short fiscal year from October 1 through December 31, 2000, as prepared by the Executive Board, did not result in any qualifications. We believe that the Group Management Report presents a true and fair overall view of the Group's situation and accurately presents the risks arising from future developments. Moreover, we confirm that the consolidated financial statements and the Group Management Report for the short fiscal year from October 1 through December 31, 2000, satisfy the requirements for the Company's exemption from the requirement to prepare consolidated financial statements and a Group Management Report in accordance with German law."

Hanover, March 21, 2001

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Pille	ppa. Menking
Wirtschaftsprüfer	Wirtschaftsprüfer

MAJOR SHAREHOLDINGS OF SALZGITTER AG AT DECEMBER 31, 2000

		Nominal capital in euro/local currency (1,000 units)	Direct and indirect shareholdings in%
Tubes			
Mannesmannröhren-Werke AG, Mülheim an der Ruhr		184,524	99.3
Mannesmann Forschungsinstitut GmbH, Duisburg		25	100.0
Mannesmannröhren Mülheim GmbH, Mülheim an der Ruhr		2,556	100.0
Mannesmannröhren Service GmbH, Mülheim an der Ruhr		511	100.0
MHP Mannesmann Präzisrohr GmbH, Hamm		5,000	100.0
Mannesmann Line Pipe GmbH, Hamm		2,500	100.0
Wälzlagerrohr GmbH, Krefeld		10,226	100.0
Robur Buizenfabriek BV, Helmond		545	75.0
MHP-Mannesmann Presné Trubky s.r.o., Chomutov	CZK	39,000	100.0
Vallourec SA, Boulogne-Billancourt		141,290	20.9
Vallourec & Mannesmann Tubes S.A., Boulogne-Billancourt		329,281	45.0
Vallourec & Mannesmann Tubes Corporation, Houston	USD	750	33.3
Hüttenwerke Krupp Mannesmann GmbH, Duisburg		102,258	20.0
DMV Stainless BV, Helmond		12,252	33.3
Borusan Mannesmann Boru Yatirim Holding A.S., Istanbul	TRL	9,735,672	23.0
Europipe GmbH, Ratingen		30,678	50.0
Röhrenwerk Gebr. Fuchs GmbH, Siegen-Kaan		2,556	50.0
Steel Trading			
Salzgitter Handel GmbH, Düsseldorf		23,600	100.0
Salzgitter Stahlhandel GmbH, Düsseldorf		12,800	100.0
Stahl-Center Baunatal GmbH, Baunatal		5,113	100.0
Salzgitter International GmbH, Düsseldorf		10,300	100.0
Salzgitter Stahlhandel Ges.mbH, Vienna	ATS	500	100.0
Salzgitter Trading U.K. Ltd., Harrogate	GBP	5	100.0
Salzgitter Acier S.A., Saint Mandé	FRF	500	100.0
Salzgitter Aceros Espana S.A., Madrid	ESP	10,000	100.0
Salzgitter Acciai Italia S.R.L., Mailand	ITL	174,264	50.5
Salzgitter Handel B.V., Oosterhout	NLG	4,500	100.0
Deltastaal B.V., Oosterhout	NLG	200	100.0
Friesland Staal B.V., Drachten	NLG	100	100.0
A.P. Steel (U.K.) Ltd., Scunthorpe	GBP	1,502	100.0
Salzgitter Trade Inc., Vancouver	CAD	500	100.0
Hövelmann & Lueg GmbH & Co KG, Schwerte		3,068	95.0
Universal Eisen und Stahl GmbH, Neuss		3,835	50.0

		Nominal capital in euro/local currency (1,000 units)	Direct and indirect shareholdings in%
Raw Materials/Services			
Verkehrsbetriebe Peine-Salzgitter GmbH, Salzgitter		14,200	100.0
DEUMU Deutsche Erz- und Metall-Union GmbH, Peine		4,100	100.0
GESIS Gesellschaft für Informationsysteme mbH, Salzgitter		2,600	100.0
Peiner Agrar- und Hüttenstoffe GmbH, Peine		770	100.0
Hanseatic Agrar- und Baustoffhandel GmbH, Bremen		512	100.0
telcat multicom gmbh, Salzgitter		620	100.0
telcat Kommunikationstechnik GmbH, Salzgitter		360	100.0
PPS Personal-, Produktions- und Service GmbH, Salzgitter		60	100.0
„Glückauf" Wohnungsgesellschaft mbH, Peine		26	100.0
Hansaport Hafenbetriebsgesellschaft mbH, Hamburg		5,113	51.0
Indurstrial Shareholdings			
HSP Hoesch Spundwand und Profil GmbH, Dortmund		10,000	100.0
Europlatinen Holding GmbH, Salzgitter		3,580	100.0
Magnesium-Technologie Salzgitter GmbH, Salzgitter[1)]		50	100.0
Salzgitter Europlatinen GmbH, Salzgitter		1,023	100.0
Salzgitter Bauelemente GmbH, Salzgitter		5,000	100.0
Salzgitter Fahrzeugteile GmbH, Salzgitter		25	94.8
Salzgitter Automotive Engineering GmbH, Wolfsburg		72	74.7
Steel Dynamics, Inc., Butler	USD	493	12.6
Wescol Group plc, Halifax	GBP	5,554	26.2
Oswald Verwaltungsgesellschaft mbH, Crimmitschau		25	24.6
Oswald Hydroforming GmbH & Co. KG, Crimmitschau		1,532	24.9

[1)] The company was renamed "Salzgitter Magnesium-Technologie GmbH, Salzgitter" in the fiscal year 2001 by means of an amendment to the Articles of Incorporation.

Contact:

SALZGITTER AG
Eisenhüttenstrasse 99
38239 Salzgitter, Germany

Tel.: +49 (0) 53 41 / 21 - 01
Fax: +49 (0) 53 41 / 21 - 27 27

Mailing Address:

38223 Salzgitter, Germany

Public Relations:

Tel.: 0 53 41 - 21 - 23 00
Fax: 0 53 41 - 21- 23 02

Investor Relations:

Tel.: +49 (0) 53 41 / 21 - 37 83
Fax: +49 (0) 53 41 / 21 - 23 07

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