H1

Interim Report
1st Half 2013

SALZGITTER AG
Stahl und Technologie

Contents

Salzgitter Group Figures

		H1 2013	H1 2012	+/–
Crude steel production[1]	**kt**	**3,781.1**	**3,857.7**	**–76.6**
External sales	**€ million**	**4,977.3**	**5,378.5**	**–401.2**
Steel Division	€ million	1,334.4	1,406.8	–72.4
Trading Division	€ million	2,031.5	2,398.4	–367.0
Tubes Division	€ million	820.7	790.5	30.2
Services Division	€ million	204.4	212.2	–7.9
Technology Division	€ million	568.4	548.5	19.9
Other	€ million	18.0	22.0	–4.0
Export share (%)	30.06.	58.5	56.0	2.5
EBITDA [2]	**€ million**	**101.6**	**199.8**	**–98.2**
EBIT[2]	**€ million**	**–258.0**	**29.2**	**–287.2**
Earnings before taxes (EBT)	**€ million**	**–298.7**	**–17.9**	**–280.8**
Steel Division	€ million	–260.5	–97.8	–162.6
Trading Division	€ million	19.6	27.6	–8.1
Tubes Division	€ million	–25.0	8.3	–33.3
Services Division	€ million	4.3	10.2	–5.9
Technology Division	€ million	5.6	2.6	3.0
Other/Consolidation	€ million	–42.7	31.1	–73.8
Earnings after taxes	**€ million**	**–315.2**	**–22.5**	**–292.7**
Basic earnings per share	**€**	**–5.87**	**–0.46**	**–5.41**
ROCE[3][4]	**%**	**–13.3**	**0.4**	**–13.7**
Operating cash flow	**€ million**	**70.5**	**231.3**	**–160.9**
Investments[5]	**€ million**	**139.7**	**149.6**	**–9.8**
Depreciation and amortization[5]	**€ million**	**359.6**	**170.6**	**189.0**
Total assets	**€ million**	**8,573.3**	**9,280.1**	**–706.8**
Non-current assets	**€ million**	**3,528.1**	**3,719.2**	**–191.1**
Current assets	**€ million**	**5,045.2**	**5,560.9**	**–515.7**
of which inventories	€ million	1,926.2	2,130.9	–204.7
of which cash and cash equivalents	€ million	746.1	806.9	–60.8
Equity	**€ million**	**3,309.6**	**3,961.4**	**–651.8**
Liabilities	**€ million**	**5,263.7**	**5,318.6**	**–54.9**
Non-current liabilities	€ million	3,315.7	3,030.8	284.9
Current liabilities	€ million	1,948.0	2,287.8	–339.8
of which due to banks[6]	€ million	110.5	104.8	5.7
Net position due to banks[7]	**€ million**	**375.1**	**534.8**	**–159.7**
Employees				
Personnel expenses	€ million	761.6	752.3	9.2
Core workforce	06/30/	23,314	23,334	–20
Total workforce	06/30/	25,272	25,235	37

Disclosure of financial data in compliance with IFRS

[1] Incl. participation in HKM under company law

[2] EBIT = EBT + interest expenses/–interest income; EBITDA = EBIT + depreciation and amortization

[3] Return on capital employed (ROCE) = EBIT (= EBT + interest expenses excl. interest portion in transfers to pension provisions) divided by the sum of shareholders' equity (excl. calculation of deferred tax), tax provisions, interest-bearing liabilities (excl. pension provision) and liabilities from finance leasing, forfaiting

[4] Annualized

[5] Excluding financial investments

[6] Current and non-current liabilities due to banks

[7] Including investments, e.g. securities and structured investments

Summary

Half-yearly result burdened by structural crisis in the European steel industry – "Salzgitter AG 2015" generates profit potential of € 200 million p.a.

In the first half of 2013, the performance of the Salzgitter Group was largely determined by the structural crisis in the European steel industry. Severe competition resulting from the ongoing capacity underutilization of numerous producers in southern Europe pushed the selling prices achievable for most rolled steel products below the manufacturing costs. The sectional steel products processed by the construction industry were the hardest hit. Against this backdrop, the Steel Division reported a high loss owing primarily to impairment of the assets of Peiner Träger GmbH (PTG). This impairment had become necessary due to the persistently unsatisfactory earnings outlook of the section business. Additional profit burdens emanated from the dramatic lack of orders in the Tubes Division's large-diameter pipes business.

- **External sales:** External sales: down by 7 % to € 4,977.3 million
- **Earnings before taxes:** € –298.7 million; comprises € 185.0 million in impairment of PTG's assets as well as € 54.2 million in negative after-tax contribution by the 25% holding in Aurubis AG, a participation included at equity
- **After-tax result**: € –315.2 million
- **Earnings per share** (basic): € –5.87
- **Net credit balance**: € 375 million
- **Equity ratio:** 38.6 %

Business development of the divisions:

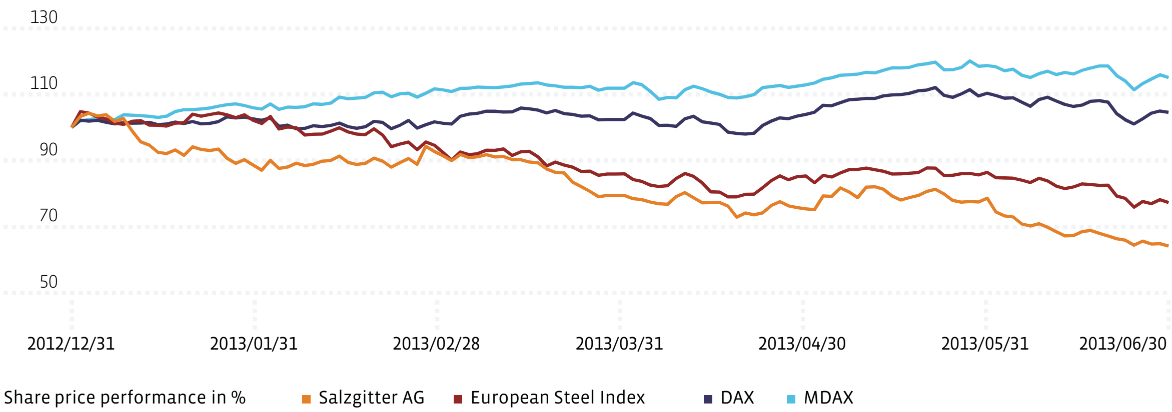
- **Steel:** companies exposed to fierce competitive pressure, external sales below previous-year figure due to weak selling prices, pre-tax loss of € 260.5 million includes impairment of PTG's assets amounting to € 185.0 million
- **Trading:** shipments stable, bolstered by very good volumes of international trading, external sales down 15 % due to lower price level, presentable earnings before tax of € 19.6 million
- **Tubes:** shipments slightly lower year on year, higher large-diameter pipes volumes unable to compensate for the lower shipments of precision and HFI-welded pipes, external sales somewhat higher against year-earlier figure, negative pre-tax result first and foremost attributable to unsatisfactory order and capacity utilization situation of European large-diameter pipe mills
- **Services:** external sales and pre-tax result fall short of prior-year figures, in particular due to the lower level of service provider activities for steel production
- **Technology:** "Fit4Future“ restructuring program generates sustainable effects, increase in external sales, pre-tax result double compared with prior year period
- **Other/Consolidation:** negative pre-tax result includes € –54.2 million in after-tax result from Aurubis AG, an investment included at equity

Guidance: Negative influences on the result in the accounts of the first half of 2013 and the development of operations anticipated necessitated an adjustment of guidance for the results. With regard to the 2013 financial year, the Salzgitter Group now anticipates sales slightly lower in a year-on-year comparison and a negative pre-tax result of around € 400 million. As already announced, the implementation of the "Salzgitter AG 2015" Group project may still incur special, initially burdening, non-recurrent effects.

Investor Relations

Capital market and price performance of the Salzgitter AG share

Salzgitter AG share price performance vs the European Steel Index, MDAX and DAX



Sources: XETRA closing price Deutsche Börse AG, Datastream STEELEU

In the first half-year of 2013, expectations of an impending stabilization of Europe's economic situation, in conjunction with the dearth of investment opportunities resulting from the low interest rate level, translated into a generally upbeat **stock market** environment. After a hesitant start, share prices rose initially in March until the US central bank's announcement of its intention to raise the key rates at the beginning of the second quarter and news of Cyprus' possible insolvency triggered a wave of profit taking. This was followed by another uptrend. The DAX reached a record high of 8,557 points on May 22 in response to the Federal Reserve indicating the possibility of prolonging measures to stimulate the economy. Towards the end of the reporting period, the index consolidated at a high level. The performance of the DAX stood at 5 % at the end of the first half-year, while the MDAX climbed by 15 %.

The extremely challenging market environment in Europe, compounded by persistent political and macroeconomic uncertainty, resulted in the negative performance of steel equities that ran counter to the overall market dynamics. Accordingly, starting from a closing price of € 39.43 at the end of 2012, the **Salzgitter share** had risen to its highest level in the reporting period of € 41.56 as early as January 3. Thereafter, on the back of at best modest prospects for the European steel market, a pronounced downtrend set in that, apart from short-lived counter movements in February and May, generally lasted throughout the first half year of 2013. Most European competitors reported similar share price performances. All in all, the performance of the Salzgitter share came in at –36 % in the first six months of 2013 and, taking account of a € 0.25 dividend markdown following the Annual General Meeting of Shareholders on May 23, 2013, at –35 %.

In current **analyst coverage** conducted by 19 banks, our share has been assessed with the following recommendations (as per June 30, 2013): 5 buy/outperform, 9 hold/market perform, 5 sell/underperform.

The **average daily turnover** of the Salzgitter share on German stock exchanges came to just under 439,000 units a day as per June 30, 2013. It rose significantly in the second quarter and, at around 512,000 units, reached its highest average since the end of 2010. All told, Salzgitter AG took sixth place measured by turnover and held 36th place in terms of free float market capitalization in the MDAX ranking of Deutsche Börse AG as of June 28, 2013.

As part of our **capital market communication**, we made presentations at investor conferences in Baden-Baden, Frankfurt, Hamburg, Nice and New York, as well as holding a road show in Luxembourg. Investors and analysts took advantage of the offer of visiting our plants in Salzgitter as well as in Mülheim an der Ruhr and of informing themselves about our company in discussions with representatives of the Group. At the end of March, we presented the results of the financial year 2012 at well-attended analysts' conferences in Frankfurt and London and engaged in intensive dialog with the capital market. The information events and site visits arranged by the "Freundeskreis der Aktionäre der Salzgitter AG" (circle of friends of Salzgitter AG shareholders) met with keen interest again on the part of our private investors.

Treasury shares

Salzgitter AG's portfolio of treasury shares amounted to 6,009,700 units as of June 30, 2013, unchanged from December 31, 2012, which corresponds to ten percent of the shares issued.

Dividend

As before, the **dividend amount** will be geared to the profit trend. The cyclical fluctuations typical of the sector are by nature reflected in the results of the Group on the one hand, and in its share price, on the other. The separate financial statements of Salzgitter AG are decisive for the ability to pay dividend. The Salzgitter Group pursues a fundamental policy of paying out steady and attractive dividend – removed from volatile reporting-date related influences – based on the pre-requisite of achieving actual operating profit. Such payment does not necessarily have to fully reflect the cyclicality of the earnings performance. On May 23, 2013, the Annual General Meeting of Shareholders approved the resolution to distribute dividend of € 0.25 per share for the financial year 2012.

Information for investors

		H1 2013	H1 2012
Nominal capital as of 06/30/	€ million	161.6	161.6
Number of shares as of 06/30/	million	60.1	60.1
Number of shares outstanding as of 06/30/	million	54.1	54.1
Market capitalization as of 06/30/[1)2)]	€ million	1,369	1,751
Closing price as of 06/30/[1)]	**€**	**25.31**	**32.38**
High 01/01/ – 06/30/[1)]	€	41.56	48.95
Low 01/01/ – 06/30/[1)]	€	25.16	30.91
Security identification number	620200		
ISIN	DE0006202005		

1) All data based on prices from XETRA trading
2) Calculated on the basis of the respective closing price at the end of the period multiplied by the number of shares outstanding per this date

Earnings, Financial Position and Net Worth

Economic environment

The **global economic** pace slowed over the course of the first half-year 2013 as, despite the expansion-oriented fiscal policy of most developed economies, the dampened development of many emerging countries had a negative impact. The forecast for the next two years therefore fell short of previous expectations. The International Monetary Fund (IMF), for instance, currently assumes a global economic growth of still 3.1 % in the current year, which is 0.2 % less than in April.

There has been no evidence of an economic recovery so far in the crisis stricken southern European countries of the **eurozone**, while a number of countries so far viewed as stable also reported signs of cooling. Capital expenditure overall declined due to the surplus capacities in many sectors and countries. At the same time, however, private consumption stabilized and the recent data on industrial production may indicate an end to the recession in the eurozone. The IMF revised its growth forecast for the year 2013 downward to -0.6 % (previously: -0.4 %).

The economic trend slowed in **Germany** as well. The long winter caused construction activities to contract sharply, which was also a driver for the generally lower level of capital expenditure. By contrast, consumer spending has meanwhile proved robust. Given the challenging economic situation in most euro countries, Germany's economy was principally bolstered by domestic demand. The IMF currently puts German economic expansion at 0.3 % in 2013. Some German economic research institutes anticipate a slightly higher growth rate. Any positive or negative effects from flooding in June 2013 have not been factored into these forecasts.

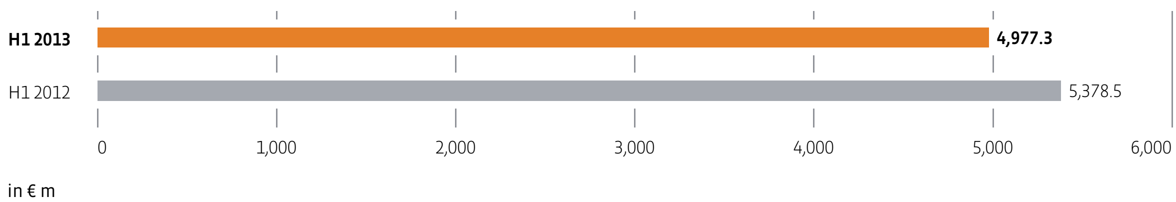
		Q2 2013	Q2 2012	H1 2013	H1 2012
Crude steel production[1]	kt	1,854.7	1,941.1	3,781.1	3,857.7
External sales	**€ million**	**2,530.5**	**2,763.7**	**4,977.3**	**5,378.5**
EBIT before depreciation and amortization (EBITDA)[2]	€ million	2.9	110.9	101.6	199.8
EBIT[2]	€ million	– 269.5	25.2	– 258.0	29.2
Earnings before taxes (EBT)	**€ million**	**– 282.9**	**1.6**	**– 298.7**	**– 17.9**
Earnings after taxes	**€ million**	**– 298.6**	**– 7.0**	**– 315.2**	**– 22.5**
ROCE[3][4]	**%**	**– 13.7**	**0.9**	**– 13.3**	**0.4**
Investments[5]	€ million	71.3	74.4	139.7	149.6
Depreciation and amortization[5]	€ million	272.4	85.7	359.6	170.6
Operating cash flow	€ million	53.0	– 8.0	70.5	231.3
Net position due to banks[6]	**€ million**	**375.1**	**534.8**	**375.1**	**534.8**
Equity ratio	%			38.6	42.7

[1] Incl. participation in HKM under company law
[2] EBIT = EBT + interest expenses/–interest income; EBITDA = EBIT + depreciation and amortization
[3] Return on capital employed (ROCE) = EBIT (= EBT + interest expenses excl. interest portion in transfers to pension provisions) divided by the sum of shareholders' equity (excl. calculation of deferred tax), tax provisions, interest-bearing liabilities (excl. pension provision) and liabilities from finance leasing, forfaiting
[4] Annualized
[5] Excluding financial investments
[6] Including investments, e.g. securities and structured investments

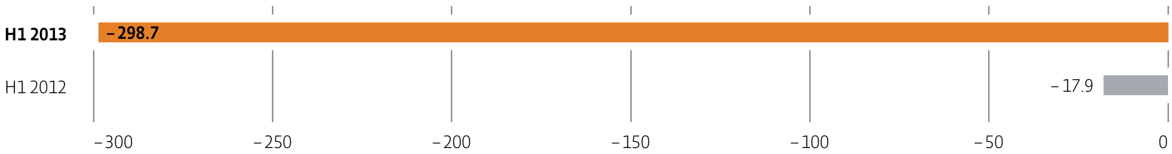
Earning situation within the Group

In the first half of 2013, the performance of the Salzgitter Group was largely determined by the structural crisis in the European steel industry. Severe competition resulting from the ongoing capacity underutilization of numerous producers in southern Europe pushed the selling prices achievable for most rolled steel products below the manufacturing costs. The sectional steel products processed by the construction industry were the hardest hit. Against this backdrop, the Steel Division reported a high loss owing primarily to impairment of the assets of Peiner Träger GmbH (PTG). This impairment had become necessary due to the persistently unsatisfactory earnings outlook of the section business. Additional profit burdens emanated from the dramatic lack of orders in the Tubes Division's large-diameter pipes business.

External sales



EBT



in Mio. €

Consolidated external sales fell by 7 % to € 4,977.3 million (first half of 2012: € 5,378.5 million), which was mainly attributable to the unfavorable selling price trend for rolled steel products. The **pre-tax result** of € –298.7 million (first half of 2012: € –17.9 million) comprises impairment of € 185.0 million on the assets of PTG, as well as € 54.2 million in negative after-tax contribution by the 25 % holding in Aurubis AG, a participation included at equity (first half of 2012: € +34.6 million). The **after-tax result** stood at € –315.2 million (first half of 2012: € –22.5 million), which brings basic earnings per share to € –5.87 (first half of 2012: € –0.46) and return on capital employed to –13.3 % (first half of 2012: 0.4 %).

Steel Division

		Q2 2013	Q2 2012	H1 2013	H1 2012
Order intake	kt	1,352.5	1,283.3	2,740.6	2,841.4
Order Backlog as of 06/30/	kt			1,064.6	1,073.1
Crude steel production	kt	1,450.0	1,516.3	2,983.1	3,012.9
LD steel (SZFG)	kt	1,110.0	1,155.9	2,262.7	2,272.6
Electric steel (PTG)	kt	340.0	360.4	720.3	740.3
Rolled steel production	kt	1,420.9	1,400.5	2,919.0	2,850.1
Shipments	kt	1,456.2	1,480.5	2,978.0	2,942.4
Segment sales[1)]	**€ million**	**960.9**	**992.5**	**1,974.1**	**2,027.4**
External sales	**€ million**	**663.9**	**682.0**	**1,334.4**	**1,406.8**
Earnings before taxes (EBT)	**€ million**	**–226.8**	**–46.2**	**–260.5**	**–97.8**

[1)] Including sales with other divisions in the Group

With its branded and special steels, the **Steel Division** is particularly representative of our Group's core competence. The division's six operating companies produce a wide range of steel products (flat steel and sections, plate, sheet piling, components for roofing and cladding and tailored blanks) at the Salzgitter, Peine, Ilsenburg and Dortmund locations. Especially with regard to flat steel products, the product portfolio is geared to premium steel grades and qualities for use in sophisticated application scenarios.

Shipments and procurement market

Momentum in the **global steel market** remained generally downbeat in the first six months of 2013. The volume of crude steel produced worldwide edged up by merely 2%, with output in Asia growing 5.5% as opposed to the rest of the world where it declined notably. In the European Union (EU) and in North and South America, for instance, around 5% less crude steel was produced than in the first six months of 2012.

During the reporting period, the **European steel market** was still coping with an imbalance between supply and demand caused by Europe's economic and financial crisis. Following a recovery prompted by the inventory cycle in the first quarter of 2013, demand waned notably again in the second quarter, which was also reflected by falling selling prices. The pronounced capacity underutilization of manufacturers in southern European countries remains a key cause of the extremely unsatisfactory situation. As the beleaguered companies are still supported by the local banks as well as by political measures, the necessary capacity adjustments have not been made to date. The resulting excess supply has had a severe impact on price structures across the whole European market. The fact that the EU remains unattractive for imports by non-member countries is the only pale light on the horizon.

In contrast to the majority of European countries, **Germany's steel market** is still comparatively robust. The volume of business in the German steel industry, with an actual capacity utilization of 85% in the first half-year, was relatively sound given the external circumstances. In the period under review, German domestic vehicle production declined by a mere 3% to a good 2.7 million units despite the ailing West European market. The German construction industry as the largest steel processing sector also proved to be robust and, after weather-induced production declines at the start of the year, reported moderate growth. The economic situation of the domestic steel industry, faced with unsatisfactory selling prices as well as persistently high and volatile raw materials costs, is nonetheless exceptionally difficult.

Due to the economic situation, market developments overall are characterized by an extremely cautious approach adopted by steel processors and traders to managing inventories and the resolve to minimize inventories.

Volatile spot market causes sharp fluctuations in iron ore prices

Different price models with different reference periods have been established on the global market for **iron ore** since 2012. The spot market price trend in China is the main determining parameter. Following a severe slump in the spot prices of iron ore in the third quarter of 2012, a notable countermovement set in since the start of the fourth quarter. Low inventories in the ports and production in China running at a consistently high volume pushed prices up at the end of February to 160 USD/dmt, thereby attaining a level last recorded in October 2011. From March onward, a significant downtrend set in. In the case of Carajas fine ore under the "old" benchmark VALE model whereby prices are based on the spot quotations of the previous quarter minus one month, the trend described above resulted in prices of 91.06 USD/dmt in the first quarter of 2013, 125.58 USD/dmt in the second, and 114.61 USD/dmt in the third quarter (all prices FOB Brazil).

Sharp decline in prices on the coking coal market

In contrast to pricing on the ore market determined by the index, the quarterly prices of coking coal with benchmark quality continue to be negotiated between large producers and customers. The situation on the **coking coal market** has meanwhile largely eased in Australia following the flooding and strikes of the past years. The prices of high quality coking coal declined perceptibly, falling from 170 USD/t FOB in the fourth quarter of 2012 to 165 USD/FOB in the first three months of 2013. In the second quarter, a price of 172 USD/t was agreed between Nippon Steel and BHP Billiton. This price was, however, considered out of line with the market by key customer groups and has not met with widespread acceptance. In April, producers and customers increasingly conducted individual, bilateral price agreements. Depending on the quality and the time when the agreements were concluded, premium segment prices ranged between 161 and 169 USD/t FOB. A benchmark price of 145 USD/t FOB was fixed for premium coal grades for the third quarter of 2013.

Price fluctuations in metals and ferro-alloys

The situation on the **international metal and alloy markets** varied widely in the first six months of 2013. Whereas the prices of manganese-based bulk alloys were stable, the prices of materials quoted on the stock exchange, such as zinc, nickel, copper and aluminum, were extremely volatile. Following an initial slight uptrend in prices in the first three months of 2013, the second quarter saw marked declines.

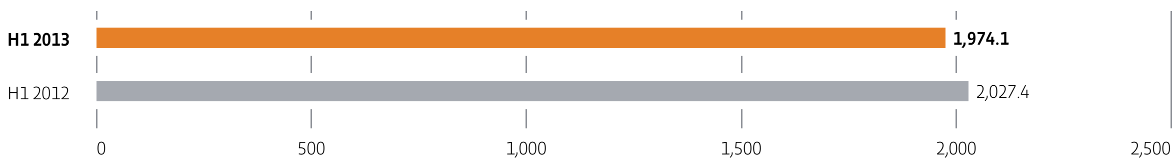
Downturn in steel scrap prices

Whereas prices on the German **steel scrap market** proved virtually stable at the start of the year, buoyed by relatively sound demand, German steelworks cut their procurement prices in February 2013 by 10 €/t to € 25/t. Weak markets continued in the second quarter, resulting in further price declines. This development was mainly attributable to the overall downturn in steel production and lack of export opportunities due to the unfavorable euro exchange rate.

Against this backdrop the Steel Division developed as follows:

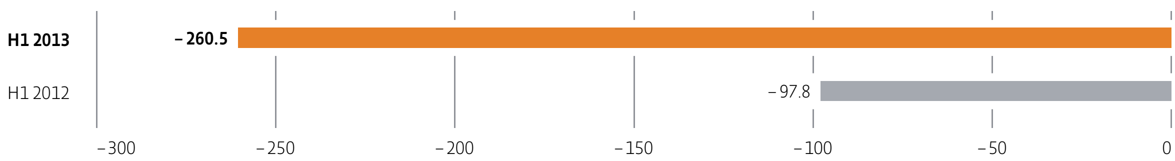
New orders booked by the steel companies dropped overall compared with the first half of 2012. A closer look, however, reveals an uneven picture: Order intake for plate and sheet piling was positive, remained around the same level for flat steel, and was in decline in the long steel segment. **Orders on hand** matched the year-earlier tonnage, while **rolled steel production** and **shipments** were slightly higher year on year. **Crude steel output** was down marginally due to the weak section business. **Segment** and **external sales** fell short of the figures posted in the first half of 2012 due to the unsatisfactory selling price trend of all products. Of the pre-tax operating loss amounting to € 75.5 million, around 60% alone is attributable to Peiner Träger GmbH (PTG). Salzgitter Flachstahl GmbH (SZFG) and HSP Hoesch Spundwand und Profil GmbH (HSP) also delivered negative pre-tax results, as opposed to Ilsenburger Grobblech GmbH (ILG) which reported a slight loss. In addition, impairment of € 185.0 million was carried out on PTG's assets. Consequently, the segment result before tax stood at € –260.5 million (first half of 2012: € –97.8 million).

Sales



in € m

EBT



in € m

More detailed explanations on the individual companies

In the first half of 2013, the **flat steel market** was determined by firm volume trends and an only moderate inventory cycle. The general economic situation across large parts of Europe, with temporary capacity underutilization, above all in southern Europe, combined with still high, albeit declining, raw material costs led to unsatisfactory selling price levels. The price uptrend at the start of the year and in the second quarter proved only temporary, with the result that the average selling prices were notably lower in a year-on-year comparison.

Order intake of **Salzgitter Flachstahl GmbH** (SZFG) settled at the good year-earlier level in the first half of 2013, and orders on hand were even slightly higher. Crude steel production almost achieved the previous year's figure; shipments benefited from the healthy order book and set a new record high on the back of significant growth. In contrast to satisfactory volume developments, selling prices came under pressure from the negative EU market environment. The downtrend in selling prices over the first three months transmuted into stagnation during the following quarter. Despite the lower selling prices, sales declined only marginally compensated by the increase in shipments. Consequently, SZFG achieved its third best sales result ever for the period but nonetheless delivered another negative pre-tax result for the first half year although, compared with the year earlier period, the result had improved notably due to the temporarily lower level of raw material costs.

In the first half of 2013, the **heavy plate market** came under the influence of capacity utilization problems in the European plate mills. Consequently, fierce competition triggered a protracted price war. International business saw brisk inquiry activity that did not, however, filter through into more order bookings owing to the aggressive price competition of European and Asian producers.

Against this backdrop, **Ilsenburger Grobblech GmbH** (ILG) acquired a higher volume of orders in the first six months of 2013 and reported an increase in orders on hand and shipments compared with the year-earlier period. Nonetheless, the lower selling price level caused sales to fall below the previous year's figure. Despite lower input material prices and reduced processing costs, the result before tax was marginally negative.

At the start of the year the capacity utilization of **section producers** was weak due to markedly reluctant ordering behavior. Stockholding steel trade had covered its requirements at the end of 2012 with volumes that were largely delivered only at the start of 2013. Real demand in core Europe contracted further in the early months of the year as construction investors placed considerable restrictions on awarding projects in response to the unclear economic situation. Order activity only picked up momentum in April. This recovery was, however, accompanied by strong price competition, driven primarily by producers in southern Europe.

In the period under review, order intake and the orders on hand of **Peiner Träger GmbH** (PTG) fell significantly below the year earlier figures due to demand slumping in the sections business. Available capacity was not fully used for this reason, and the production of crude and rolled steel declined. Due to higher level of internal slab dispatches and delays in deliveries from the year 2012, shipments held steady. Sales fell short of the year-earlier level, pressured by the catastrophic selling prices. Peiner Träger GmbH (PTG) reported one of the highest half-year operating losses in the history of the company. Moreover, an impairment test indicated the necessity of impairment in an amount of € 185.0 million on the assets of PTG.

The global **sheet piling market** still lacks momentum as political instability in a number of countries has been exacerbated by general economic restraint. Necessary reconstruction measures and investments in port expansions were therefore shelved in many locations. The German sheet piling market is extremely dependent on public-sector investment where the spending policy is limited by budgetary constraints. Projects involving new measures and expansions of the waterway engineering infrastructure have therefore been postponed. The last flood disaster at least prompted swifter spending policies and the realization of long overdue safety reinforcement measures. However, the sustainability of this development remains to be seen.

Starting from a low level, **HSP Hoesch Spundwand und Profil GmbH** (HSP) reported an improvement in order intake and orders on hand compared with the first six months of 2012. Higher shipment volumes lifted sales. With selling prices remaining unsatisfactory, HSP delivered a loss that was, however, lower than in the previous year's period.

Although weather conditions, that were a strong contributing factor to the poor capacity utilization situation of the construction industry in the first quarter of 2013, no longer played an immediate role, a general delay in advancing projects, and consequently in purchasing of **Salzgitter Bauelemente GmbH** (SZBE) products, was observed. Competitive pressure from neighboring countries in Eastern Europe continued unabated. Although shipments had risen slightly in early year-on-year comparison, sales fell short of the year-earlier figure due to lower selling prices. SZBE achieved breakeven in earnings before taxes.

In the first six months of 2013, vehicle registrations in Germany declined notably in comparison with the first half of 2012. Eurozone exports were also in sharp decline. As a result, shipments, sales and the pre-tax result of **Salzgitter Europlatinen GmbH (SZEP)** did not quite match the year-earlier figures.

Trading Division

		Q2 2013	Q2 2012	H1 2013	H1 2012
Shipments	kt	1,582.3	1,619.7	3,019.4	3,080.0
Segment sales[1)]	**€ million**	**1,054.4**	**1,305.3**	**2,062.4**	**2,415.2**
External sales	**€ million**	**1,037.7**	**1,294.6**	**2,031.5**	**2,398.4**
Earnings before taxes (EBT)	**€ million**	**9.4**	**16.1**	**19.6**	**27.6**

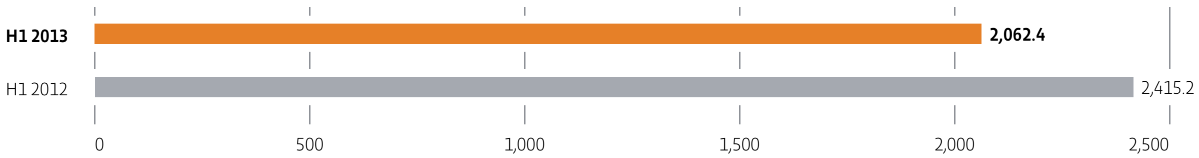
[1)] Including sales with other divisions in the Group

Alongside a well-developed organization of stockholding steel trading subsidiaries in Europe, the **Trading Division** comprises three steel companies specialized in plate and flat steel products structured as steel service centers (SSC), as well as a globalized international trading network. Apart from the rolled steel and tubes products of the Salzgitter Group, it also sells the products of other manufacturers in Germany and abroad. Moreover, the Trading Division procures semi-finished products for the Group and external customers on the international markets.

While positive stimulus emanated from the international steel markets in the first half of 2013, above all from North America, regions in the Far East and Africa, demand remained lackluster overall, accompanied by prices declining in almost all product segments. Moderate demand for steel in Europe slowed following the inventory replenishing customary of the season in the first quarter. In Germany, demand proved to be comparatively robust, albeit lower year on year. The sections segment continued to report little demand from the construction sector.

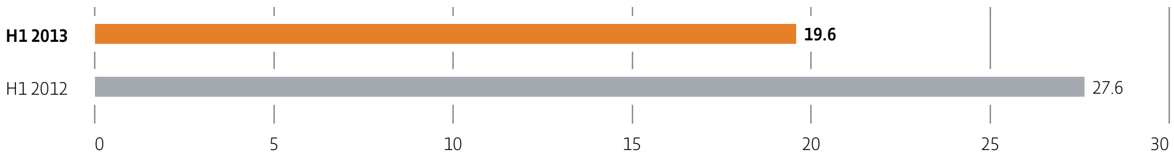
The **sales** of the Trading Division remained around the year-earlier level thanks to the still very healthy volumes of international trading. By contrast, **segment** and **external sales** dropped significantly below the figures posted in the first six months 2012, pressured by the on average lower price level. The division delivered a presentable **profit before tax** of € 19.6 million that nonetheless fell short of the previous year's figure (€ 27.6 million).

Sales



in € m

EBT



in € m

The **Salzgitter Mannesmann Handel Group** (SMHD Group) almost achieved the satisfactory business volume of 2012. Lower average selling prices pushed sales down. The squeeze on margins resulted in the SMHD Group recording earnings before tax that were lower than a year ago.

Overall, the European **stockholding steel trading companies** fell below the trading volume achieved in the previous year. Although windfall effects were initially generated in the first quarter, these were insufficient to compensate for declining volumes and margins that contracted in the months thereafter. Sales and the pre-tax profit of the year-earlier period were therefore not achieved.

Shipment volumes remained steady in **international trading**. Factors contributing to this trend included hot flat deliveries to the Far East and North America, business in Africa that ran at a high, steady level, as well as pleasing development in the long product segment. Sales dropped owing to selling prices and due to the product mix. The main cause of the slight decline in the profit before taxes result was the lower share of high-margin project business.

Demand in the plate market relevant for the **Universal Eisen und Stahl Group** (UES Group) slowed further over the course of the second quarter. Although the German company continued to benefit from robust sales in mechanical engineering and good export business, the US subsidiary, in contrast, was faced with a difficult market environment. All in all, tonnage sold was almost as high as in the previous year, while sales declined in the wake of lower prices. Weaker margins led to lower pre-tax earnings compared with the first half of 2012.

The steel service center **Hövelmann & Lueg GmbH** (HLG) reported a slight improvement in its business activities in terms of volume during the reporting period in a year-on-year comparison. Nonetheless, sales settled merely at the year-earlier level. Given ongoing pressure from prices and competition, the pre-tax loss disclosed was higher than a year ago.

Tubes Division

		Q2 2013	Q2 2012	H1 2013	H1 2012
Order intake	€ million	311.6	390.7	688.7	1,141.6
Order Backlog as of 06/30/	€ million			615.2	1,069.0
Segment sales[1]	**€ million**	**497.0**	**564.2**	**982.6**	**1,040.9**
External sales	**€ million**	**419.9**	**401.5**	**820.7**	**790.5**
Earnings before taxes (EBT)	**€ million**	**–12.5**	**17.9**	**–25.0**	**8.3**

[1] Including sales with other divisions in the Group

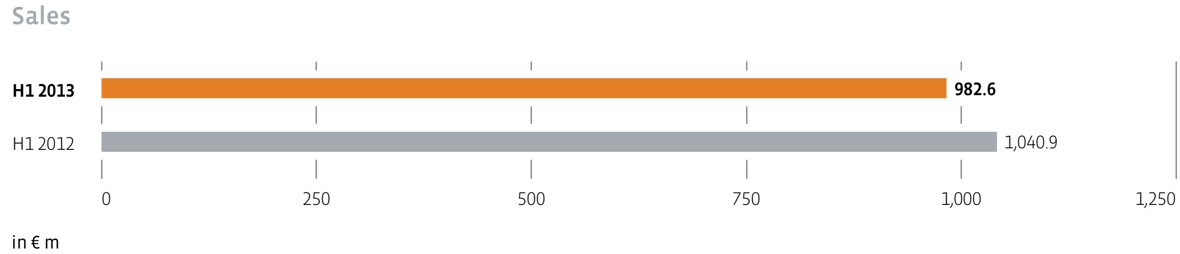
The **Tubes Division** comprises numerous subsidiaries and associated companies that manufacture and process both welded and seamless steel tubes on three continents. The product portfolio consists mainly of pipelines and tubes of all diameters, ranging from gas pipelines through to injection tubes for diesel engines, stainless oil field and boiler tubes, precision tubes and cold-finished tubes for the automotive and machine building industries, as well as construction tubes in a variety of profiles.

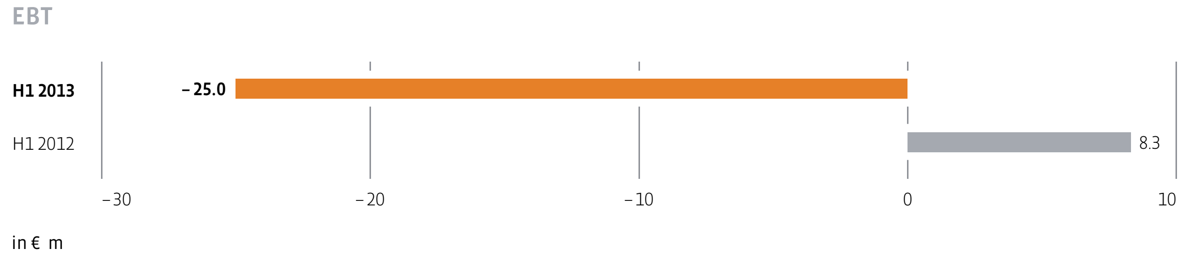
Global steel tube production slowed slightly in the first six months of 2013 compared with the prior year. Particularly in the USA, demand from the important oil and gas sector was lower than the year before, as inventories were scaled-back and high delivery volumes from other countries flooded the market. In the energy sector, former sales markets for European suppliers, such as Russia and China, are increasingly becoming self-sufficient and competitors in export markets. The mechanical engineering sector reported a stable trend in the period under review, as opposed to demand for precision steel tubes from the automotive industry which disappointed expectations overall. Here, the marked discrepancy in demand between German premium manufacturers and producers mainly located in the lower price segment, for instance based in southern Europe, remained in evidence.

Following a difficult start to the year, the Tubes Division's order status saw no improvement in the second quarter. **New orders** were only 60% of the high year-earlier figure that, however, included the major order for the Australian Icythys natural gas pipeline placed with EUROPIPE GmbH (EP). The decline in **orders on hand** is also primarily attributable to a considerable decline in orders in the large-diameter pipes business.

Shipments were marginally lower year on year, as the higher but still unsatisfactory volume of large-diameter pipes was unable to compensate for the downturn in precision tube and HFI-welded pipe shipments. For this reason and due to selling prices, **segment sales** did not match the previous year's figure. **External sales** stood somewhat higher year-on-year.

Given the unsatisfactory order and capacity utilization situation in the European plants of the large-diameter pipes segment in particular, compounded by that of the precision tubes segment and selling prices that largely came under pressure, the Tubes Division delivered a **pre-tax loss** of € 25.0 million (profit before tax in the previous year: € 8.3 million). With the exception of the stainless steel tubes segment, all product groups reported declines in their results.





Business development of the product segments:

In the first half year of 2013, the order intake of the **large-diameter pipes** segment stood at just under one third of the year-earlier figure that was dominated by the Australian contract. Orders on hand also fell to the same extent. Shipments and sales were significantly higher than the extremely weak 2012 figures mainly due to the delivery of the Australian contract. Although the outlook of the US companies has brightened considerably, the lack of follow-up orders for the European plants resulted in unsatisfactory capacity utilization and necessitated short-time work in Mülheim in the second quarter of 2013. As a result, and given the poor selling prices for third-party contracts of Salzgitter Mannesmann Grobblech (MGB), the large-diameter pipes segment reported a significant pre-tax loss.

Having put in a good start to the year, the development of both the project and standard business in the segment of **HFI-welded pipes** was very restrained. Order intake was therefore notably lower than the above-average level posted in the first six months of 2012; orders on hand also did not repeat the year-earlier figure. Shipments and sales declined appreciably owing to the production of significant project volumes in stock due for ongoing delivery only from the second quarter. The company delivered breakeven in its pre-tax results.

The **precision tubes market**, that was characterized by extreme consumer reticence toward the end of the financial year 2012 saw a slight upturn in demand in Germany in the first half of 2013 bolstered mainly by the strong export business of the premium automobile manufacturers. The French automotive market also grew slightly, albeit remaining at a persistently weak level. As a result, order intake at Salzgitter Mannesmann Precision Group (SMP Group) exceeded the low year-earlier figure. Orders on hand had nonetheless declined compared with a year ago. As the SMP Group's production capacities, similar to those of competitors, are underutilized, short-time work had to be introduced in some plants in the first six months of 2013. Alongside a drop in shipment volumes, lower sales and another increase in the pre-tax loss reflect the fierce price-led competition in the market. As part of the "Salzgitter AG 2015" program, the precision tube group's process and organization structures are being further streamlined in 2013. To this end Salzgitter Mannesmann Präzisrohr GmbH (MPR) was combined with Salzgitter Mannesmann Precision GmbH (SMP) as of April 30, 2013.

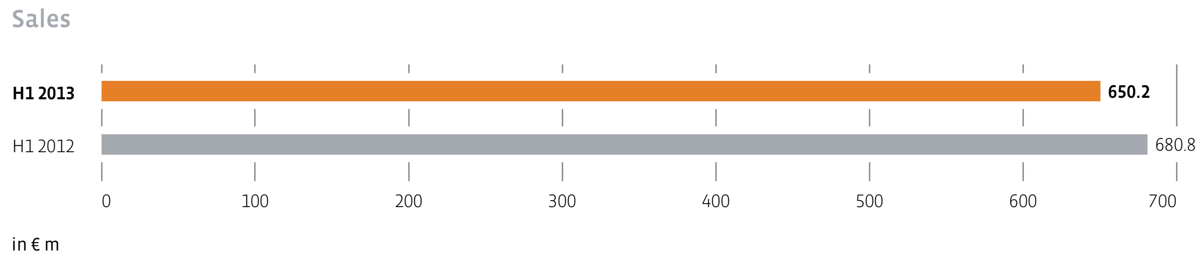
The seasonal slowdown in the product segment of **seamless stainless steel tubes** in the second quarter of 2013 and the most recent significant reluctance on the part of Germany's stockholding steel trade caused the new orders of Salzgitter Mannesmann Stainless Tubes Group (MST Group) to decline. The order book also fell short of the exceptionally high year-earlier figure. Shipments nonetheless exceeded the already good tonnage the same time a year ago, while sales remained stable. The MST Group generated higher earnings before tax in a year-on-year comparison.

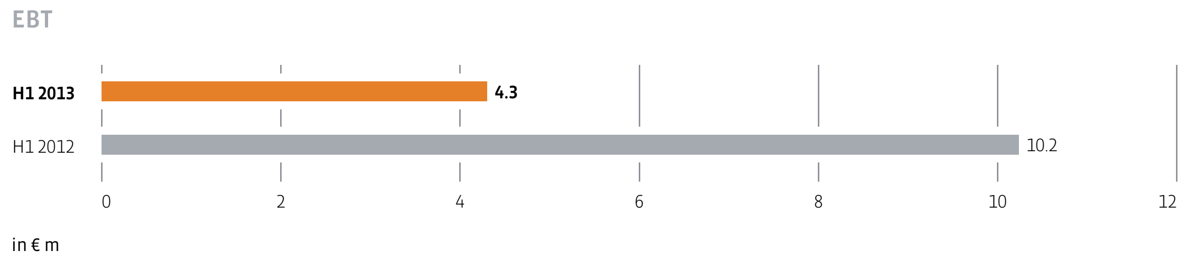
Services Division

		Q2 2013	Q2 2012	H1 2013	H1 2012
Segment sales[1]	**€ million**	**311.9**	**344.5**	**650.2**	**680.8**
External sales	**€ million**	**103.0**	**103.8**	**204.4**	**212.2**
Earnings before taxes (EBT)	**€ million**	**2.6**	**4.1**	**4.3**	**10.2**

[1] Including sales with other divisions in the Group

The **Services Division** comprises a number of service companies that are mainly aligned to the requirements of the Group itself, but are equally successful in providing services to external customers as well. The services offerings include the supply of raw materials, logistics, IT, personnel, research and development, as well as automotive products.





The **segment sales** of the Services Division, determined mainly by the activities of the steel producing companies settled marginally below the figure posted in the first half of 2012, mainly due to the downturn in the sales of DEUMU Deutsche Erz- und Metall-Union GmbH (DMU) caused by lower steel scrap selling prices. In addition, SZST Salzgitter Service und Technik GmbH (SZST) and Salzgitter Hydroforming GmbH & Co. KG (SZHF) also sustained sales declines. All other companies held the level of the year before or reported growth. **External sales** fell slightly short of the level posted in the first six months of 2012.

The Services Division delivered a **pre-tax result** of € 4.3 million, which is significantly lower than a year ago. The unsatisfactory result of DMU due to weaker margins and the decline in the result of Hansaport Hafenbetriebsgesellschaft mbH (HAN) were the decisive factors for this decline. By contrast, Verkehrsbetriebe Peine-Salzgitter GmbH (VPS) almost achieved breakeven. SZST reported a gratifying increase in its result on the back of lower costs.

Technology Division

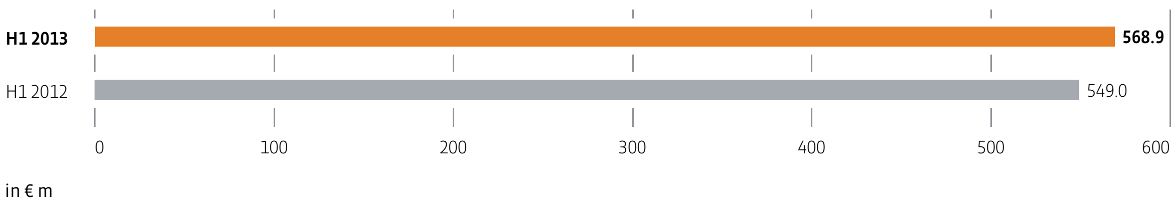
		Q2 2013	Q2 2012	H1 2013	H1 2012
Order intake	€ million	281.9	276.4	604.7	563.7
Order Backlog as of 06/30/	€ million			513.9	457.7
Segment sales[1)]	**€ million**	**297.8**	**268.7**	**568.9**	**549.0**
External sales	**€ million**	**297.6**	**268.4**	**568.4**	**548.5**
Earnings before taxes (EBT)	**€ million**	**2.0**	**0.1**	**5.6**	**2.6**

1) Including sales with other divisions in the Group

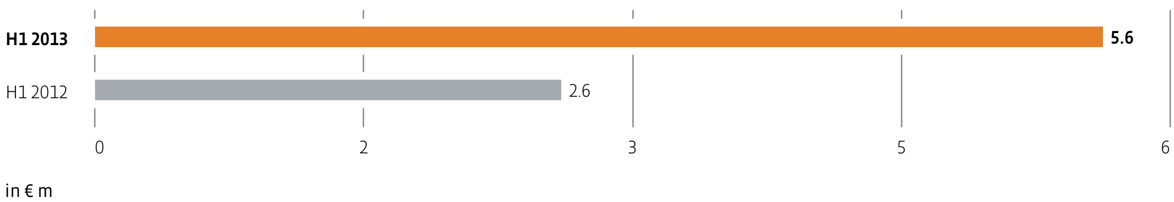
The **Technology Division** of Salzgitter AG comprises mechanical engineering companies that operate internationally. KHS GmbH (KHSDE), a company holding a leading international position in filling and packaging technology, represents the mainstay of sales. The KHS Group is a full-line supplier, from intralogistics through processing to the filling and packaging of beverages. Other companies of the division sell special machinery for the shoe industry and specialize in the manufacturing of rubber and silicon injection molding machinery. In addition, RSE Grundbesitz und Beteiligungs-GmbH (RSE), a company managing and developing commercial real estate in Germany, is also assigned to the Technology Division.

According to the statistics of The German Engineering Federation (VDMA), the sector's order intake was in a slight downtrend overall compared with the prior year, which was primarily attributable to the contraction of domestic order activity caused by general reticence as regards capital investment. The market for food and packaging machinery proved stable.

Sales



EBT



New orders received by the Technology Division significantly exceeded the year-earlier level. As before, this success continues to be mainly due to the acquisition of premium major projects in the filling technology business by the KHS Group. These contracts are instrumental in regaining the previous market share. The order intake of Klöckner DESMA Schuhmaschinen GmbH (KDS) was very successful as well. **Orders on hand** were appreciably higher than a year ago.

In the reporting period, **segment and external sales** climbed in comparison with the 2012 figures. The KHS Group outperformed the previous year's level, as opposed to the KDE Group that suffered sales losses especially due to ongoing reluctance to invest in the automotive business and weak growth in the Indian market. The sales of KDS remained stable.

The Technology Division generated a **pre-tax profit** of € 5.6 million in the first half of 2013, thereby more than doubling its result in comparison with the prior year period. In the case of the KHS Group, the gratifying result was based on high capacity utilization, and the ongoing success of the "Fit4Future" program. By contrast, the KDE Group reported a substantial decline in its profit; KDS remained at the previous year's level.

The KHS Group is stringently pursuing its streamlining measures that are geared toward achieving sustainable competitiveness and profitability. The "Fit4Future" program launched for this purpose comprises eleven components. The program is aimed at streamlining the Group, lowering costs, enhancing the flexibility with which the volatile order intake is handled, and reducing complexity by focusing production and as well as standardizing the global product program.

Other/Consolidation

		Q2 2013	Q2 2012	H1 2013	H1 2012
Sales[1)]	**€ million**	**123.1**	**55.9**	**260.9**	**137.7**
External sales	**€ million**	**8.5**	**13.4**	**18.0**	**22.0**
Earnings before taxes (EBT)	**€ million**	**–57.6**	**9.7**	**–42.7**	**31.1**

[1)] Including sales with other divisions in the Group

The **Other/Consolidation** segment comprises activities that are not directly allocated to a division. As a management holding company, Salzgitter AG does not have any operations of its own. Instead it manages Salzgitter Mannesmann GmbH (SMG) and Salzgitter Klöckner Werke GmbH (SKWG) under which the major companies of the Salzgitter Group are held.

Sales in the Other segment, which are generated mainly by business in semi-finished products with subsidiaries and external parties, advanced to € 260.9 million on the back of intra-group deliveries during the reporting period (previous year: € 137.7 million). **External sales** declined slightly to € 18.0 million (previous year: € 22.0 million).

Earnings before tax stood at € –42.7 million, which is considerably lower than the previous year (€ 31.1 million). The result includes € –54.2 million in after-tax loss (previous year: € 34.6 million) from Aurubis AG (NAAG), a participation included at equity, offset by positive effects from interest income.

Explanations on the Financial Position and Net Worth

Explanations on the balance sheet

The **total assets** of the Salzgitter Group decreased in the current reporting period (€ –356 million) compared with December 31, 2012.

Non-current assets have declined notably as a consequence of impairment on these assets amounting to € 185 million.

The drop in **current assets** (€ –92 million) was attributable to the lower level of inventories (€ –142 million), as well as of cash and cash equivalents (€ –133 million) and securities (€ –51 million). A counter-effect emanated from an increase in trade receivables (€ +206 million) and in other assets (€ +39 million).

On the **liabilities side**, the negative after-tax result in particular led to a decline in equity. The equity ratio nonetheless stood at 38.6 %, which continues to form a sound basis.

The **net credit balance** had decreased to € 375 million by the end of the reporting period (December 31, 2012: € 497 million). Investments worth € 1,078 million, including securities, were offset by liabilities of € 702 million (December 31, 2012: € 714 million), of which € 111 million were owed to banks while € 592 million were obligations attached to convertible and exchangeable bonds.

Explanations on the cash flow statement

Despite the negative result before tax (€ –299 million), the **cash flow from operating activities** (€ +71 million) was positive, but had nonetheless fallen below the first six months of 2012 (€ +231 million), as this figure included extremely high prepayments for projects thereby increasing the level of liabilities.

The **cash outflow from investment activities** (€ –177 million) was especially attributable to disbursements for capital expenditure in property, plant and equipment (€ –137 million) and for financial assets (€ –43 million), the levels of which were therefore marginally below the year-earlier period (€ –196 million). In addition, investments of funds amounting to € 5 million (previous year: € 145 million) were made.

The disbursement of dividend (€ –14 million), the redemption of loans (€ –4 million) and interest payments (€ –6 million) constituted a **cash outflow from financing activity** of € –24 million.

Cash and cash equivalents fell by € 133 million compared with December 31, 2012.

Investments

In the first six months of the financial year 2013, **investments in property, plant and equipment and intangible assets** amounted to € 139.2 million, which is lower compared with the previous year's period (€ 149.6 million). Overall, depreciation and amortization amounted to € 359.6 million, including € 185 million in Impairment. The ordinary depreciation and amortization stood at € 174.6 million and were thus slightly higher than the year-earlier figure (€ 170.6 million), thereby also significantly exceeding the capital expenditure of the period under review.

In 2013 the investment activities of **Salzgitter Flachstahl GmbH** (SZFG) were concentrated on optimizing existing facilities to secure availability and on environmental protection measures. To this end, progress was made with the following projects in the first half year:

In order to reduce metallurgy costs SZFG is investing € 70 million in the construction of a **coal grinding, drying and injection plant**. The amortization period has been estimated at around two years under the current circumstances. The high level of economic viability is based on substituting more cost-effective pulverized coal for oil and coke sourced externally. The coal is produced in the coal grinding and drying plant and subsequently injected into the blast furnaces. The plant is due for commissioning in 2015.

The **tandem mill** was supplemented by an inlet system comprising strip storage and a welding machine. The measure permits partly continuous rolling, thereby optimizing both the mill's efficiency and the quality of the products produced. The required machinery was installed and functional tests carried out. Trial operation of the mill is currently running in parallel with the existing tandem mill in preparation for seamless connection in the fourth quarter.

Manufacturing the components for the **"Converter A Renewal"** project has been concluded. The preparations for conversion in the third quarter are proceeding according to plan. The measure entails enlarging the vessel by around 50 m^3 and improving the drive concept. The aim is to optimize output volumes while reducing operating costs.

At **Peiner Träger GmbH** (PTG), only replacement investments necessary to keep operations running smoothly were made in the reporting period.

The "ILG 2015" investment project of **Ilsenburger Grobblech GmbH** (ILG), aimed at raising the volume of thick slabs, is still being implemented at present. The majority of measures will have been concluded by the end of 2013.

The **Trading Division** concentrated its investments on measures to modernize existing facilities and on making new acquisitions in the financial year 2013. In addition, construction work began on a building at the Friesland location of Dutch Salzgitter Mannesmann Staalhandel B.V. (SMNL) to secure its sections business as well as to expand trading in flat products. Completion has been scheduled for the second half of 2013.

Aside from replacing facilities, the investments of the **Tubes Division** in 2013 are focused first and foremost on optimizing product quality. At **Salzgitter Mannesmann Grobblech GmbH** (MGB) the new cross cut shear has commenced mass production to schedule. The ramping up phase has been delayed by a couple of weeks owing to short-time work introduced on a temporary basis. The new machinery has, however, already fulfilled the specific expectations placed on product quality.

Services Division: VPS Verkehrsbetriebe-Peine-Salzgitter GmbH (VPS) has already taken receipt of 18 of a total of 40 locomotives ordered in previous years to standardize and modernize its fleet of engines. Another eight locomotives have been planned for 2013, while four have arrived in the meantime.

In 2013, the investment activities of the **Technology Division** were channeled into replacement and streamlining measures geared to promoting the sustainable competitiveness of the **KHS Group**. IT projects in Germany and at the international companies are currently being carried out to further optimize processes.

An extensive project for the software-based configuration of KHS products and packaging lines under the name of "Product Configurator" was already launched in 2012. This measure is aimed at enabling an even more efficient tendering of quotations and processing of orders based in future on products and processes that are standardized to a higher degree. Implementation is being carried out in close reconciliation with the Customer Relationship Management (CRM) system. The Competence Centers have begun to initial product and relationship data. The first machine configurations are due for completion toward the end of 2013.

Following the successful introduction of a continuous production line at the Kleve site of KHS GmbH that considerably cuts assembly times and logistic costs, this production concept is now being adopted by the Worms plant.

Research and Development

Salzgitter Mannesmann Forschung GmbH (SZMF) is the central research company of the Steel and Tubes divisions. The R&D activities are concentrated on materials development and processing, as well as application, coating and testing technologies. In addition to the Salzgitter Group companies, customers include external companies, for example from the steel processing industry, the automotive industry, machinery and plant engineering, energy technology, as well as the construction industry.

SZMF's R&D expenses in 2013 are likely to remain at the year-earlier level.

New high vacuum melting and casting system

One of the fundamental challenges in steel research consists in identifying new alloy variants and in advancing them from laboratory scale to industrial production. The vacuum induction melting and casting system that was installed at the end of 2012 considerably enhances efficiency, thus significantly accelerating the development of innovative high alloy steels at SZMF such as HSD® steel. As a result, up to five different alloys each with a melting weight of two kilograms can now be produced in one single cast.

Wavelet filtered eddy current array test for optimized product quality

At SZMF the mathematically extremely sophisticated wavelet filtering has been qualified for daily operations for the first time. It enables test signals that occur in ultrasonic testing of rolled steel products, for example, to be more effectively digitally processed than with conventional filtering procedures. A favored area of application is signal denoising. A short while ago a process for denoising eddy current array test signals was developed for the Salzgitter Mannesmann Precision Group (SMP Group) to achieve another improvement in error detection and reduce pseudo-error display for this type of testing as well.

Sustainable bottling of still water under ultra clean conditions

KHS GmbH (KHSDE) has developed a machine for filling PET bottles with water under ultra clean conditions. This filling machine significantly reduces air consumption and the use of cleaning agents. Additional advantages of the Innofill PET NV filling system for the customer include the closed, hygienic design, space savings, cost-effective maintenance and the associated cost savings. The new product is especially intended for blocking with a stretch blow machine. It is suitable for a wide range of bottle sizes up to three liters and achieves a maximum performance of 72,000 receptacles an hour. Innofill PET NV's non-contact filling of plastic bottles by means of a free-flow filling valve represents the highest microbiological and hygienic safety. Thanks to impeller flow metering demineralized water can also be bottled.

Employees

	2013/06/30	2012/12/31	+/–
Core workforce[1]	**23,314**	**23,247**	**67**
Steel Division	7,140	7,091	49
Trading Division	2,037	2,052	–15
Tubes Division	5,520	5,552	–32
Services Division	3,704	3,746	–42
Technology Division	4,748	4,639	109
Holding	165	167	–2
Apprentices, students, trainees	1,246	1,542	–296
Non-active age-related part-time employment	712	769	–57
Total workforce	**25,272**	**25,558**	**–286**

[1] excluding the members of executive and non-executive bodies

The **core workforce** of the Salzgitter Group came to 23,314 employees on June 30, 2013, representing an addition of 67 staff members since the beginning of the year. This increase is largely attributable to taking over 283 trainees, mainly in the Steel and Technology divisions. Of this number, 194 were given temporary employment contracts. The headcount also rose through the hiring of 221 temporary and 160 permanent employees. This trend was counteracted first and foremost by the expiration of temporary contracts. The **total workforce** stood at 25,272 persons.

At the end of the second quarter, the number of employees affected by short-time work had risen to 597, mainly in Peiner Träger GmbH (PTG), EUROPIPE GmbH (EP) and Salzgitter Mannesmann Grobblech GmbH (MGB).

As of June 30, 2013, the number of temporary staff outsourced had fallen by 266 in comparison with the previous year's reporting date.

A pilot collective agreement for the metal and electronics industry was concluded in the pay scale area of Bavaria on March 14, 2013, and was subsequently adopted by the rest of the Federal Republic. The agreement applies to around 25% of the Group's domestic workforce. It covers a term of 20 months starting on July 1, 2013, and provides for a 3.4% increase in wages and salaries and trainee remuneration, as well as another rise of 2.2% as from May 1, 2014. Additional qualitative components in the agreement were not included in this round of collective bargaining.

Based on the collective agreements in German wholesale and foreign trade negotiated in June, the wages and salaries of the SMHD Group's employees – in essence around 7% of the Group's domestic workforce – were effectively raised by 2.75% on August 1, 2013, and by another 1.8% on June 1, 2014. In addition, employees are to receive a one-off payment of € 90 in January 2014.

Forecast, Opportunities and Risk Report

There is still no sign of a major economic recovery in the Eurozone. Accordingly, the general environment in which the Salzgitter Group conducts its business is unlikely to improve in the months ahead. For this reason, we have given priority to focusing on implementing the projects that are geared to safeguarding the medium- to long-term competitiveness of the Group under the "Salzgitter AG 2015" program.

Over the short to medium term, a recovery of building activities in southern Europe or an upswing of any note in the EU's automotive markets are not anticipated. Consequently, the divide between the northern and southern European steel markets in terms of market supply and demand is likely to persist, meaning that fierce competition and the resulting price pressure are set to continue unabated. As raw material costs are unlikely to ease the situation to any great extent, the Steel Division anticipates a downturn in sales and a clearly negative result before tax in 2013 as a whole.

The **Trading Division** predicts a return to normal levels of the recently very brisk project business in international trading in the coming months, as opposed to the stockholding steel trade where earnings opportunities arising from a possible cyclical recovery in demand, accompanied by more stable prices are perceived. With sales in a slight downtrend, profit in the double-digit million range continues to appear achievable.

The considerable capacity underutilization prevailing in the European large-diameter pipe business of the **Tubes Division** since the beginning of the second quarter will continue throughout the remainder of the year. Consequently, short-time work is likely to extend until the end of the year. A significant increase in the order volume for HFI-welded tubes and in the precision tubes segment is also unlikely. By contrast, the seamless stainless steel tubes business is expected to perform well, as before. Stable sales at best and a pre-tax loss in the mid to upper double-digit million euro range are anticipated overall for the financial year 2013.

The **Services Division** expects sales to remain at the year-earlier level, accompanied by lower earnings before tax compared with 2012.

In view of the continued good capacity utilization, the **Technology Division** expects the positive sales and profit trend to hold steady. The KHS Group's "Fit4Future" program, initiated in 2011 and systematically implemented since then, will provide support here.

The reporting-date related negative valuation effects in the result of Aurubis AG as per June 30, 2013 harbor the risk that the company's contribution to the Salzgitter Group's result may not be in the range originally anticipated for the financial year as a whole. The market price trends for copper and other metals will be the determining factor. Negative influences on the result in the accounts of the first half of 2013 and the development of operations anticipated necessitated an adjustment of guidance for the results. With regard to the 2013 financial year, the Salzgitter Group now anticipates slightly lower **sales** in a year-on-year comparison and a negative **pre-tax result** of around € 400 million. As already announced, additional special, initially burdening, non-recurrent effects may still arise as a consequence of implementing the "Salzgitter AG 2015" Group project.

We make reference to the fact that **opportunities and risks** from currently unforeseeable trends in selling prices, input material prices and capacity level developments, as well as changes in the currencyparity, may considerably affect performance in the second half of the financial year 2013. The resulting fluctuation in the consolidated pre-tax result may be within a considerable range, either to the positive or to the negative. The dimensions of this range become clear if one considers that, with around 6 million tons of steel products sold by the Steel, Trading and Tubes divisions over the remainder of the financial year, an average € 20 contraction in the margin per ton is sufficient to cause a variation in the annual result of more than € 120 million. Moreover, the accuracy of the company's planning is restricted by the volatilities and shorter contractual durations, both on the procurement and on the sales side.

Risk management

With regard to the individual **opportunities and risks**, we make reference to the Annual Report 2011. At the time of reporting there were no risks which could endanger the Salzgitter Group as a going concern.

In terms of risks arising in a tense market environment, including the price volatility of raw materials, especially for iron ore and coking coal whose deliveries are largely based on quarterly contracts, the effects on the result of the companies have been factored in to the extent they can be estimated.

A new one-year contract covering the period from April 2013 to March 2014 has been concluded with an ore supplier from which a significant volume is traditionally sourced. In terms of determining prices, a "corridor clause" has been agreed that – in the event of specified divergences of the spot market price from the agreed price corridor – automatically incurs an exactly defined price adjustment. Contracts with the market leader for coking coal are defined on a monthly basis. This affects around one third of the volume purchased by Salzgitter AG. From today's standpoint, we do not anticipate any fundamental change in the Group's risk position.

Events of Significance

"Salzgitter AG 2015"

The "Salzgitter AG 2015" organization development project has been initiated in order to safeguard the competitive strengths of Salzgitter AG and its Group companies in an environment set to remain difficult in the medium term. Under this project, the Salzgitter Group is addressing the task of comprehensively reviewing its process and organization structure, put in place more than ten years ago and characterized by extensive decentralization, and implementing adjustments wherever necessary. The aim is to create a lean and highly effective organization, combined with stronger customer and market orientation. The specific measures to improve the process and organization structure have been formulated and are ready for implementation. The profit improvement potential of the "SZAG 2015" program, identified and underpinned by measures, amounts to more than € 200 million p.a. The program comprises both profit improvement from the ongoing development of technical processes, reduction in personnel, as well as initiatives in the areas of steel logistics, procurement and data processing, among others. For instance, a flexible, integrated maintenance concept is to be introduced at the Salzgitter site and funds invested in the construction of a coal injection plant at Salzgitter Flachstahl GmbH's blast furnace (please see the Investments section). The "Pact for the Future" (Zukunftsvertrag) has been drawn up in negotiations between the company, the Group Works Council and IG Metall as a framework and is due for formal signing in the near future. The programs already under way in individual Group companies continue to be carried out rigorously and networked with the "Salzgitter AG 2015" project.

Scrap price surcharge

Peiner Träger GmbH (PTG) has announced that, as of September 1, 2013, it intends to reintroduce a scrap price surcharge on its products. The scrap price surcharge that is based on the market price trend for steel scrap, and thereby comprises a variable component for selling prices, was discontinued at the end of 2010. PTG will be announcing the detailed modalities of the new pricing in August.

Acquisition of iron ore mining rights

A purchase and transfer agreement for the acquisition of the right to mine iron ore in Lower Saxony has been signed with Preussag Immobilien GmbH, a group company of TUI AG. The main locations of the exploratory work conducted in the 1950s on iron ore deposits include the areas of Salzgitter, Peine, along with the region between Salzgitter and Gifhorn known as the Gifhorner Graben. The mining rights granted at the time accord the exclusive right to mining iron ore in 236 mines in a mining belt far in excess of 500 km² and is the most significant iron ore deposit in Germany.

Given the conditions for mining iron ore in the global market in comparison with the cost of domestic mining and processing, the mining rights are currently not commercially viable. Consequently, there are no plans to make use of them in the foreseeable future. The exorbitant price increase for iron ore in the second half of the last decade, however, has shown that the option of using domestic iron ore in the future does not necessarily have to be entirely discounted. With the long-term future interest in mind, we have therefore secured the rights at a purchase price of one euro along with assuming obligations for safety precautions.

Interim Financial Statement

I. Consolidated Income Statement

In € million	Q2 2013	Q2 2012	H1 2013	H1 2012
Sales	2,530.5	2,763.7	4,977.3	5,378.5
Increase/decrease in finished goods and work in process/other own work capitalized	– 60.3	– 15.3	– 94.0	– 12.8
	2,470.3	**2,748.3**	**4,883.3**	**5,365.7**
Other operating income	21.1	25.9	81.3	84.9
Cost of materials	1,794.2	2,053.4	3,537.5	4,002.2
Personnel expenses	386.2	381.9	761.6	752.3
Amortization and depreciation of intangible assets and property, plant and equipment	272.4	85.7	359.6	170.6
Other operating expenses	251.7	234.0	515.9	530.3
Income from shareholdings	5.9	4.2	8.2	5.1
Income from associated companies	– 59.6	7.8	– 53.3	35.1
Finance income	8.0	11.3	16.5	20.3
Finance expenses	23.9	40.9	60.3	73.5
Earnings before taxes (EBT)	**– 282.9**	**1.6**	**– 298.7**	**– 17.9**
Income tax	15.7	8.7	16.5	4.6
Consolidated net income/loss	**– 298.6**	**– 7.0**	**– 315.2**	**– 22.5**
Appropriation of profit				
Consolidated net income/loss	– 298.6	– 7.0	– 315.2	– 22.5
Profit carried forward from the previous year	–	–	15.1	27.1
Minority interests in consolidated net loss/income for the year	1.2	1.3	2.1	2.6
Dividend payment	– 13.5	– 24.3	– 13.5	– 24.3
Transfer from (+)/to (–) other retained earnings	299.7	8.2	317.2	25.0
Unappropriated retained earnings	**– 0.1**	**– 24.4**	**1.5**	**2.7**
Basic earnings per share (in €)	**– 5.55**	**– 0.15**	**– 5.87**	**– 0.46**
Diluted earnings per share (in €)	**– 5.55**	**– 0.15**	**– 5.87**	**– 0.46**

II. Statement of Comprehensive Income

In € million	Q2 2013	Q2 2012	H1 2013	H1 2012
Consolidated net income/loss	**– 298.6**	**– 7.0**	**– 315.2**	**– 22.5**
Recycling				
Changes in currency translation	– 7.6	9.8	– 2.3	6.7
Change in value from hedging transactions				
Changes in current value recorded directly in equity	– 1.0	0.9	0.4	– 1.2
Recognition of sale of securities with effect on income	– 0.1	–	0.2	1.3
Changes in the value of financial assets in the "held-for-sale assets" category recorded directly in equity				
Changes in current value recorded directly in equity	0.8	– 1.1	– 2.3	2.6
Recognition from the sale of securities with effect on income	–	–	–	–
Adjustments from associated companies without effect on income	– 1.6	5.2	2.7	– 1.5
Other changes without effect on income	–	–	–	–
Deferred taxes on changes without effect on income	– 0.1	0.6	0.5	0.3
Subtotal	**– 9.5**	**15.5**	**– 0.8**	**8.2**
Non-Recycling				
Actuarial gains and losses	–	–	–	–
Adjustments from associated companies without effect on income	–	–	–	–
Deferred taxes on changes without effect on income	–	–	–	–
Subtotal	**–**	**–**	**–**	**–**
Other comprehensive income	**– 9.5**	**15.5**	**– 0.8**	**8.2**
Total comprehensive income	**– 308.2**	**8.5**	**– 316.1**	**– 14.4**
Total comprehensive income due to Salzgitter AG shareholders	– 309.4	7.0	– 318.4	– 16.9
Total comprehensive income due to minority interests	1.2	1.5	2.4	2.6
	– 308.2	**8.5**	**– 316.1**	**– 14.4**

III. Consolidated Balance Sheet

Assets in € million	2013/06/30	2012/12/31
Non-current assets		
Intangible assets	106.2	112.3
Property, plant and equipment	2,303.0	2,519.7
Investment property	21.5	22.8
Financial assets	232.6	192.1
Associated companies	614.6	680.3
Deferred income tax assets	245.1	260.4
Other receivables and other assets	5.1	4.7
	3,528.1	**3,792.3**
Current assets		
Inventories	1,926.2	2,068.0
Trade receivables	1,750.8	1,544.8
Other receivables and other assets	521.3	482.4
Income tax assets	18.9	31.1
Securities	81.9	132.5
Cash and cash equivalents	746.1	878.6
	5,045.2	**5,137.4**
	8,573.3	**8,929.7**

Equity and liabilities in € million	2013/06/30	2012/12/31
Equity		
Subscribed capital	161.6	161.6
Capital reserve	238.6	238.6
Retained earnings	3,270.1	3,589.7
Unappropriated retained earnings	1.5	15.1
	3,671.9	**4,005.0**
Treasury shares	–369.7	–369.7
	3,302.2	**3,635.3**
Minority interests	7.4	8.2
	3,309.6	**3,643.5**
Non-current liabilities		
Provisions for pensions and similar obligations	2,162.4	2,182.2
Deferred tax liabilities	60.8	66.8
Income tax liabilities	194.8	193.5
Other provisions	279.7	284.4
Financial liabilities	617.9	612.1
	3,315.7	**3,339.0**
Current liabilities		
Other provisions	342.1	337.2
Financial liabilities	149.5	158.2
Trade payables	995.5	918.6
Income tax liabilities	13.0	57.5
Other liabilities	447.8	475.7
	1,948.0	**1,947.2**
	8,573.3	**8,929.7**

IV. Cash Flow Statement

In € million	H1 2013	H1 2012
Earnings before taxes (EBT)	–298.7	–17.9
Depreciation, write-downs (+)/write-ups (–) of fixed assets	359.6	170.6
Income tax refunded (+)/paid (–)	–35.3	2.2
Other non-cash expenses (+)/income (–)	141.5	58.6
Interest expenses	57.2	65.5
Gain (–)/loss (+) from the disposal of non-current assets	–2.3	1.6
Increase (–)/decrease (+) in inventories	140.4	–16.1
Increase (–)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	–211.2	–428.6
Use of provisions affecting payments, excluding income tax provision	–132.8	–135.2
Increase (+)/decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	52.1	530.9
Cash outflow/inflow from operating activities	**70.5**	**231.3**
Cash inflow from the disposal of fixed assets	5.6	0.1
Cash outflow for investments in intangible assets and property, plant and equipment	–137.0	–151.0
Cash inflow (+)/outflow (–) for/from investments of funds	–5.1	–145.3
Cash inflow from the disposal of financial assets	2.6	1.2
Cash outflow for investments in financial assets	–43.0	–45.2
Cash flow from investment activities	**–176.9**	**–340.2**
Cash outflow in payments to company owners	–13.5	–24.3
Cash inflow (+)/outflow (–) as a result of the issuing of bonds, borrowings and other financial liabilities	–3.9	–3.6
Interest paid	–6.4	–5.8
Cash outflow/inflow from financing activities	**–23.9**	**–33.7**
Cash and cash equivalents at the start of the period	878.6	946.2
Cash and cash equivalents relating to changes in the consolidated group	–	1.0
Gains and losses from changes in foreign exchange rates	–2.1	2.4
Payment-related changes in cash and cash equivalents	–130.3	–142.6
Cash and cash equivalents at the end of the period	**746.1**	**806.9**

V. Statement of Changes in Equity

In € million	Subscribed capital	Capital reserve	Sale/repurchase of treasury shares	Other retained earnings	Reserve from currency translation
As of 2011/12/31	**161.6**	**238.6**	**–369.7**	**4,311.1**	**–15.0**
Initial consolidation of affiliated companies so far not consolidated due to materiality resons	–	–	–	0.2	–
Total comprehensive income	–	–	–	–	6.7
Group trensfers to(+)/from(–) retained earnings	–	–	–	–	–
Other	–	–	–	–25.0	–
As of 2012/06/30	**161.6**	**238.6**	**–369.7**	**4,286.2**	**–8.2**
As of 2012/12/31	**161.6**	**238.6**	**–369.7**	**4,198.5**	**–15.8**
Total comprehensive income	–	–	–	–0.2	–2.3
Dividend	–	–	–	–	–
Group trensfers to(+)/from(–) retained earnings	–	–	–	–317.2	–
Other	–	–	–	0.2	–
As of 2013/06/30	**161.6**	**238.6**	**–369.7**	**3,881.3**	**–18.2**

Changes in the value of the reserve from hedging transactions	Changes in the value reserve from „available for sale" assets	Other changes in equity with no effect on income	Unappropriated retained earnings	Equity (excluding minority interests)	Minority interests	Equity
1.1	**– 14.0**	**– 350.1**	**27.1**	**3,990.7**	**9.0**	**3,999.8**
–	–	–	–	0.2	0.1	0.3
0.1	2.6	– 1.2	– 25.1	– 16.9	2.6	– 14.4
–	–	–	– 24.3	– 24.3	–	– 24.3
–	–	–	25.0	–	–	–
1.2	**– 11.5**	**– 351.3**	**2.7**	**3,949.7**	**11.8**	**3,961.4**
– 0.2	**– 9.7**	**– 583.2**	**15.1**	**3,635.3**	**8.2**	**3,643.5**
0.6	– 2.3	3.2	– 317.3	– 318.4	2.3	– 316.1
–	–	–	– 13.5	– 13.5	–	– 13.5
–	–	–	317.2	–	–	–
–	–	– 1.4	–	– 1.2	– 3.1	– 4.3
0.4	**– 12.0**	**– 581.4**	**1.5**	**3,302.2**	**7.4**	**3,309.6**

Notes

Segment Reporting

In € million	Steel		Trading		Tubes	
	H1 2013	H1 2012	H1 2013	H1 2012	H1 2013	H1 2012
External sales	1,334.4	1,406.8	2,031.5	2,398.4	820.7	790.5
Sales to other segments	639.7	620.5	30.9	16.8	161.6	250.1
Sales to Group companies that cannot be allocated to an operating segment	–	–	–	–	0.4	0.3
Segment sales	1,974.1	2,027.4	2,062.4	2,415.2	982.6	1,040.9
Interest income (consolidated)	–	0.2	3.9	2.9	0.4	0.5
Interest income from other segments	–	–	–	–	–	–
Interest income from Group companies that cannot be allocated to an operating segment	0.1	0.1	0.1	–	–	–
Segment interest income	0.1	0.3	4.0	2.9	0.4	0.5
Interest expenses (consolidated)	9.1	7.0	4.9	4.7	5.1	3.8
Interest expenses of other segments	–	–	–	–	–	–
Interest expenses to Group companies that cannot be allocated to an operating segment	37.6	36.9	4.0	6.6	5.3	8.0
Segment interest expenses	46.6	43.9	8.9	11.3	10.5	11.9
of which interest portion of allocations to pension provisions	5.0	4.8	1.4	1.7	2.7	3.0
Depreciation/amortization of tangible and intangible fixed assets	304.5	116.6	5.5	5.5	23.7	22.6
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	119.5	116.6	5.5	5.5	23.7	22.6
EBIT before depreciation and amortization (EBITDA)	90.5	62.4	30.0	41.5	8.8	42.3
EBIT	–214.0	–54.2	24.5	36.0	–14.9	19.7
Segment earnings before taxes (EBT)	–260.5	–97.8	19.6	27.6	–25.0	8.3
of which income from associated companies	–	–	–	–	0.9	0.5
Investments in property, plant and equipment and intangible assets	88.6	88.1	4.4	10.5	21.0	23.0

Services		Technology		Total segments		Other/Consolidation		Group	
H1 2013	H1 2012	H1 2013	H1 2012	H1 2013	H1 2012	H1 2013	H1 2012	H1 2013	H1 2012
204.4	212.2	568.4	548.5	4,959.3	5,356.5	18.0	22.0	4,977.3	5,378.5
442.7	466.0	0.3	0.4	1,275.3	1,353.8	242.9	115.7	1,518.2	1,469.5
3.1	2.6	0.2	0.1	3.7	3.1	–	–	3.7	3.1
650.2	680.8	568.9	549.0	6,238.3	6,713.3	260.9	137.7	6,499.2	6,851.1
0.7	0.4	2.0	1.2	7.1	5.2	9.5	13.2	16.5	18.4
–	–	–	–	–	–	39.7	50.7	39.7	50.7
5.2	5.8	–	0.1	5.4	6.0	–	–	5.4	6.0
5.9	6.2	2.0	1.4	12.5	11.2	49.2	63.9	61.7	75.1
6.7	6.9	2.2	2.6	27.9	25.0	29.3	40.5	57.2	65.5
–	–	–	–	–	–	27.7	11.5	27.7	11.5
3.1	2.1	0.3	0.5	50.4	54.1	–	–	50.4	54.1
9.8	9.0	2.5	3.1	78.3	79.1	57.0	52.1	135.3	131.1
5.8	6.7	1.6	1.9	16.6	18.0	13.9	20.2	30.4	38.3
12.9	12.0	12.1	12.5	358.7	169.2	0.9	1.4	359.6	170.6
12.9	12.0	12.1	12.5	173.7	169.2	0.9	1.4	174.6	170.6
21.1	25.1	18.2	16.8	168.6	188.1	–67.0	11.7	101.6	199.8
8.1	13.1	6.1	4.3	–190.1	18.9	–67.9	10.3	–258.0	29.2
4.3	10.2	5.6	2.6	–256.0	–49.0	–42.7	31.1	–298.7	–17.9
–	–	–	–	0.9	0.5	–54.2	34.6	–53.3	35.1
18.0	20.4	7.2	6.9	139.1	148.9	0.6	0.7	139.7	149.6

Further Information

Principles of accounting consolidation, sheet reporting and valuation methods

1. The consolidated financial report of Salzgitter AG, Salzgitter, for the reporting period from January 1 to June 30, 2013, has been prepared as a condensed report with selected notes. The report has been drawn up, as before, in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) in consideration of the requirements set out under IAS 34 for condensed interim reports.
2. In comparison with the annual financial statements as at December 31, 2012, no changes have been made in the accounting, valuation, calculation and consolidation methods applied to the interim financial statement for the period ended June 31, 2013.

Selected explanatory notes to the income statement

1. Sales by division are shown in the segment report.
2. Earnings per share are calculated in accordance with IAS 33. Basic earnings per share, calculated from the weighted number of shares of Salzgitter AG, came to € –5.87 in the period under review. Dilution would occur if earnings per share were reduced through the issuance of potential shares from option and conversion rights. Such rights, attached to a convertible bond, existed as of the reporting date. When taken into account, there is no decrease in earnings per share from continued operations, as a result of which these option and conversion rights do not have a dilutive effect. Diluted earnings per share also amount to € –5.87.

Related party disclosures

In addition to business relationships with companies that are consolidated fully and proportionately in the consolidated financial statements, relationships also exist with associated companies and shareholdings that must be designated as related companies in accordance with IAS 24.

All business transactions with related companies are conducted on terms that also customarily apply among third parties (arm's length). The deliveries and services rendered essentially comprise deliveries of input material for the manufacture of large-diameter pipes and precision tubes. Their volumes are shown in the table below:

In € million	Sale of goods and services	Purchase of goods and services	Trade receivables	Trade payables
	01/01/-30/06/2013	01/01/-30/06/2013	2013/06/30	2013/06/30
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	7.4	245.4	1.2	35.2

There is a long-term loan granted to Hüttenwerke Krupp Mannesmann GmbH, Duisburg, in an amount of € 120.0 million.

Information pursuant to Section 37w paragraph 5 of the German Securities Trading Act (WpHG)

This set of interim financial statements and interim report has not been subjected to an auditor's review.

Affirmation by the legally authorized representatives

"We hereby affirm that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the net assets, financial position and the results of operations of the Group in accordance with the generally accepted accounting principles for interim reporting, and that the Management Report presents a true and fair description of the development of the Group's business, including its performance and position, and of the material risks and opportunities inherent in the prospective development of the Group over the remainder of the financial year."

Salzgitter, in August 2013
The Executive Board of Salzgitter AG

Fuhrmann Becker Eging

Groschke Kieckbusch

Financial Calendar 2013

February 27, 2013	Key data for the financial year 2012
March 22, 2013	Publication of the consolidated financial statements for 2012 Annual Results Press Conference
March 25, 2013	Analysts' Conference in Frankfurt am Main
March 26, 2013	Analysts' Conference in London
May 15, 2013	Interim report on the first quarter of the financial year 2013
May 23, 2013	General Meeting of Shareholders in 2013
August 14, 2013	Interim report on the first half of the financial year 2013 Analysts' Conference in Frankfurt am Main
August 15, 2013	Analysts' Conference in London
November 14, 2013	Interim report on the first nine months of the financial year 2013
December 31, 2013	End of the financial year 2013

Legal disclaimer

Some of the statements made in this report possess the character of forecasts or may be interpreted as such. They are made upon the best of information and belief and by their nature are subject to the proviso that no unforeseeable deterioration occurs in the economy or in the specific market situation pertaining to the division companies, but rather that the underlying bases of plans and outlooks prove to be accurate as expected in terms of their scope and timing. Notwithstanding prevailing statutory provisions and capital market law in particular, the company undertakes no obligation to continuously update any forward-looking statements that are made solely in connection with circumstances prevailing on the day of their publication.

For computational reasons, rounding-off differences of +/– one unit (€, % etc.) may occur in the tables.

The Interim Report of Salzgitter AG is also available in German. In the event of any discrepancy, the German version shall prevail.

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