

H 1

Interim Report
1st Half 2012



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Salzgitter Group Figures

		H1 2012	H1 2011	+/-
Crude steel production¹⁾	kt	3,857.7	3,654.8	202.9
External sales	€ million	5,378.5	4,773.5	605.0
Steel Division	€ million	1,406.8	1,367.0	39.8
Trading Division	€ million	2,398.4	1,737.3	661.2
Tubes Division	€ million	790.5	903.2	-112.7
Services Division	€ million	212.2	238.7	-26.5
Technology Division	€ million	548.5	485.7	62.8
Other	€ million	22.0	41.8	-19.7
Export share	%	56.0	46.3	9.7
EBITDA²⁾	€ million	199.8	343.4	-143.6
EBIT²⁾	€ million	29.2	176.9	-147.7
Earnings before tax (EBT)	€ million	-17.9	130.0	-147.9
Steel Division	€ million	-97.8	30.4	-128.2
Trading Division	€ million	27.6	38.2	-10.6
Tubes Division	€ million	8.3	46.7	-38.4
Services Division	€ million	10.2	8.3	1.9
Technology Division	€ million	2.6	-17.7	20.3
Other/Consolidation	€ million	31.1	24.1	7.0
Earnings after tax	€ million	-22.5	93.7	-116.3
Basic earnings per share	€	-0.46	1.70	-2.16
ROCE^{3/4)}	%	0.4	6.6	-6.2
Operating cash flow	€ million	231.3	-83.0	314.3
Capital expenditure⁵⁾	€ million	149.6	180.7	-31.2
Depreciation and amortization⁵⁾	€ million	170.6	166.4	4.1
Total assets	€ million	9,280.1	8,852.6	427.5
Non-current assets	€ million	3,719.2	3,450.1	269.1
Current assets	€ million	5,560.9	5,402.5	158.4
of which inventories	€ million	2,130.9	2,022.3	108.6
of which cash and cash equivalents	€ million	806.9	1,278.7	-471.8
Equity	€ million	3,961.4	3,881.2	80.2
Liabilities	€ million	5,318.6	4,971.4	347.2
Non-current liabilities	€ million	3,030.8	3,001.7	29.1
Current liabilities	€ million	2,287.8	1,969.6	318.2
of which due to banks ⁶⁾	€ million	104.8	77.6	27.2
Net position due to banks⁷⁾	€ million	534.8	950.5	-415.7
Employees				
Personnel expenses	€ million	752.3	726.9	25.4
Core workforce	30/06/	23,334	23,426	-92
Total workforce	30/06/	25,235	25,249	-14

Disclosure of financial data in compliance with IFRS

¹⁾ In regard of the participation in Hüttenwerke Krupp Mannesmann

²⁾ EBIT = EBT + interest expense/- interest income; EBITDA = EBIT plus depreciation and amortization

³⁾ Return on Capital Employed (ROCE) = EBIT (=EBT + interest expense excluding the interest portion of allocations to pension provisions) in relation to the shareholder's equity (without calculation of accrued and deferred taxes), tax provisions, interest-bearing liabilities (excluding pensions provisions) and liabilities from financial leasing, forfeiting

⁴⁾ Annualized

⁵⁾ Excluding financial assets

⁶⁾ Current and non-current liabilities due to banks

⁷⁾ Including investments, e.g. securities and structured investments

Summary

Breakeven in the second quarter despite difficult market environment

The Salzgitter Group's business activities in the first half of 2012 were influenced by an environment impacted by growing economic uncertainty. Following an upswing at the start of the year, the order activity of many steel product customers was extremely reticent in the second quarter. Economic sentiment appears to be poorer to date – at least in Germany – than is justified by the actual order situation of many steel processing sectors. Given the virtually overall satisfactory capacity utilization situation, accompanied, however, by an unsatisfactory selling price trend, the Group achieved another healthy breakeven in the pre-tax result in the second quarter of the financial year 2012, having closed the preceding quarter at a loss.

Group

- **External sales:** up 13 % to € 5,378.5 million
- **Earnings before tax:** € –17.9 million.
- **Earnings after tax:** € –22.5 million
- **Earnings per share** (basic): € –0.46
- **ROCE:** 0.4%.
- The **net financial position** (€ 535 million) and the **equity ratio** (42.7 %) underline the exceptionally sound situation of Salzgitter Group

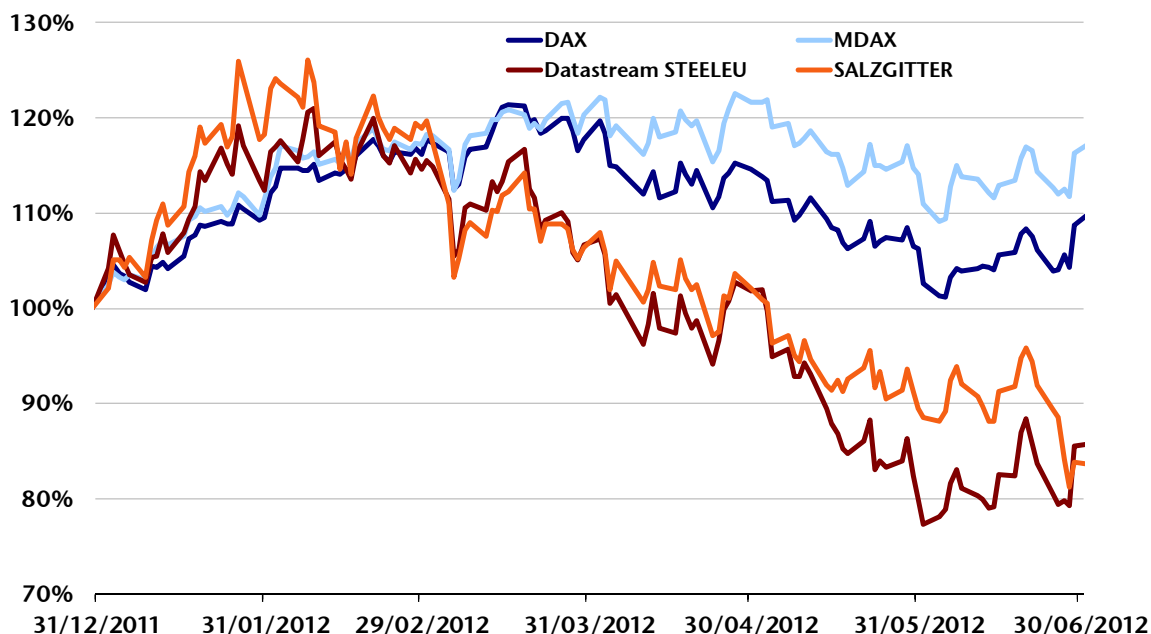
Business development of the divisions:

- **Steel:** all in all, satisfactory capacity utilization following the still relatively high steel consumption in Germany; as well as opportunities for exports as a result of the changed parity of the euro against the US dollar; growth in external sales; negative pre-tax result burdened by the unsatisfactory selling price trend and the persistently high cost of raw materials, particularly in the flat steel product segment
- **Trading:** healthy order volumes in international trading; growth in external sales of more than one third; pleasing earnings before tax below its year-earlier counterpart that was impacted by windfall profits
- **Tubes:** higher shipments of HFI-welded tubes and seamless stainless steel tubes did not fully compensate for the shortfall in the volumes of large-diameter pipes in the first three months of 2012 caused by the cancellation of an order; capacity utilization gap closed towards the end of the first quarter upon the start to the production of more than 410,000 tons of large-diameter pipes for an Australian natural gas pipeline; decline in external sales; pre-tax result positive although lower than the previous year's figure
- **Services:** external sales slightly lower than year-earlier levels; pre-tax profit exceeded
- **Technology:** KHS Group continues to reap above-average benefit from trends in the food and packaging machinery sector; increase in external sales; higher selling price margins in project business and successful impact of the "Fit4Future" program launched in the previous year lead to substantial growth in pre-tax profit
- **Other/Consolidation:** external sales fall due to the economic environment; earnings before tax amount to € 31.1 million, which includes € 34.6 million in profit contribution from the Aurubis AG participation

Guidance for the financial year 2012: We continue to anticipate stable sales at minimum and a positive **pre-tax result** for the Salzgitter Group. This is likely to be in the lower- to mid-double-digit million euro range.

Investor Relations

Capital Market and Price Performance of the Salzgitter Share



Sources: Xetra closing prices DBAG, Datastream STEELEU

The **stock markets** were characterized by a series of counter trends in the first half of 2012. Positive news on the economy ensured that indices trended up for much of the first quarter. From March onwards, the markets were increasingly influenced by reports on the sovereign debt crisis of a number of eurozone countries. Uncertainty about a possible collapse of the common currency subsided as from April. It nonetheless became increasingly evident that the recovery of the euro economies would be slower and weaker than originally expected. These circumstances caused leading indices to shed part of the profits achieved to date in the second quarter. All in all, the DAX and the MDAX rose by 9% and 16% respectively in the reporting period.

Against this backdrop, the movements of the **Salzgitter share** exaggerated the general market trend in the first six months of 2012. Prompted by the news of an economic recovery and increasing steel prices, our share rose more swiftly than the DAX and the MDAX, from € 38.63 at year-end 2011 to its temporary peak for the year of € 48.95 on February 8. The upswing was, however, short-lived, with February already showing increasing signs of a slowdown in recovery and the corresponding effects on the share price of cyclically sensitive companies. As from mid-March, announcements about the downward revision of Chinese growth targets and reporting on the future of the euro in the wake of the unsuccessful election in Greece caused the share price to enter a downtrend. This was compounded by an even more cautious approach to business adopted by many steel consumers. Seen overall, the performance of the Salzgitter share stood at -16% in the first half year of 2012 and, taking account of an ex-dividend markdown of € 0.45 following the Annual General Meeting of Shareholders on May 24, 2012, at -15%.

In current **analyst coverage** conducted by 20 banks, the Salzgitter share has been assessed with the following recommendations (as per June 30, 2012): 9 buy/outperform, 11 hold/market perform, 0 sales/underperform.

The **average daily turnover** of the Salzgitter share on German stock exchanges came to around 330,000 units as per June 30. Turnover in the second quarter was higher than in the first. On June 29, 2012, Salzgitter AG therefore took eighth place measured by turnover and held 21st place in terms of free float market capitalization in the MDAX ranking of Deutsche Börse AG.

As part of our **investor relations work**, we made presentations at investor conferences in New York, Frankfurt, Baden-Baden and Luxembourg in the first half-year of 2012. In addition, we held roadshows in London, Stockholm, Helsinki, Milan and Lugano. Investors and analysts took advantage of the offer of visiting our plants in Salzgitter, Peine and Ilsenburg and of informing themselves about our company and its potential at in situ meetings with representatives of the company. In mid-May, we presented the results of the first quarter of 2012 through a telephone conference and engaged in intensive dialog with the capital market.

Treasury shares

Salzgitter AG's portfolio of treasury shares came to 6,009,700 units on June 30, 2012, unchanged from December 31, 2011.

Information for investors

		H1 2012	H1 2011
Nominal capital as of 30/06/	€ million	161.6	161.6
Number of shares as of 30/06/	million	60.1	60.1
Number of shares outstanding as of 30/06/	million	54.1	54.1
Market capitalisation as of 30/06/ ¹⁾²⁾	€ million	1,751	2,844
Closing price as of 30/06/¹⁾	€	32.38	52.59
High 01/01/ – 30/06/ ¹⁾	€	48.95	65.64
Low 01/01/ – 30/06/ ¹⁾	€	30.91	48.50
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 upturn in the **global economy** at the start of 2012 proved to be short lived. By the end of the first quarter, the European sovereign debt crisis was already exerting a progressively negative impact on global economic sentiment. At the same time, economic recovery in the US was also slowing. Growth dynamics in the emerging economies of China, India and Brazil weakened, which was not only due to less favorable external conditions but also attributable to declining domestic demand. In contrast, the economies of the Middle East and Africa developed more robustly than in the first six months of 2011, not least because the political situation in many regions had simmered down. In its current forecast, the International Monetary Fund (IMF) anticipates an overall global economic growth of 3.5 % in 2012.

The economic development of the peripheral countries of the **eurozone** in particular suffered from a tense labor market, restrictive lending policy conditions and the ongoing fiscal consolidation measures throughout the first six months of 2012. Neither monetary stimuli nor political measures were able to bring about a significant improvement in the situation in Greece and Spain. Whereas export-oriented economies benefited from the interim recovery in trading outside Europe, above all in the first quarter, the threat of recession is looming over the eurozone in the current year. As a result, the IMF anticipates economic growth in the euro area of -0.3 % in 2012.

Following a gratifying start to the year, the development in the southern eurozone countries has dampened economic momentum in **Germany** as well. Nonetheless, Germany's economy remains in a comparatively good condition, with exports still a main driver. The domestic economy received support from the robust constitution of the labor market as opposed to investments which are in a distinct downtrend. Given the problems in the eurozone in the summer quarter, economic research institutes anticipate only modest growth for the German economy. For 2012 as a whole, the IMF anticipates that the German gross domestic product will expand by 1.0 %.

		Q2 2012	Q2 2011	H1 2012	H1 2011
Crude steel production ¹⁾	kt	1,941.1	1,836.9	3,857.7	3,654.8
External sales	€ million	2,763.7	2,466.1	5,378.5	4,773.5
EBITDA ²⁾	€ million	110.9	180.6	199.8	343.4
EBIT ²⁾	€ million	25.2	96.1	29.2	176.9
Earnings before tax (EBT)	€ million	1.6	73.7	-17.9	130.0
Earnings after tax	€ million	-7.0	49.8	-22.5	93.7
ROCE³⁾	%	0.9	6.6	0.4	6.6
Capital expenditure ⁵⁾	€ million	74.4	100.6	149.6	180.7
Depreciation and amortization ⁵⁾	€ million	85.7	84.5	170.6	166.4
Operating cash flow	€ million	-8.0	-4.0	231.3	-83.0
Net position due to banks⁶⁾	€ million	534.8	950.5	534.8	950.5
Equity ratio	%			42.7	43.8

¹⁾ In respect of the participation in Hüttenwerke Krupp Mannesmann

²⁾ EBIT = EBT + interest expense/- interest income; EBITDA = EBIT plus depreciation and amortization

³⁾ Return on Capital Employed (ROCE) = EBIT (= EBT + interest expense excluding the interest portion of allocations to pension provisions) in relation to the total of shareholders' equity (without calculation of accrued and deferred taxes), tax provisions, interest-bearing liabilities (excluding pension provisions) and liabilities from financial leasing, forfeiting

⁴⁾ Annualized

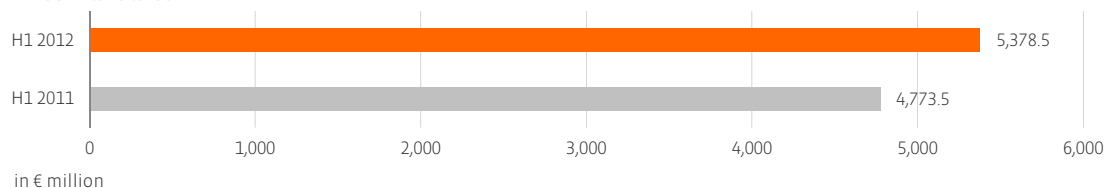
⁵⁾ Excluding financial assets

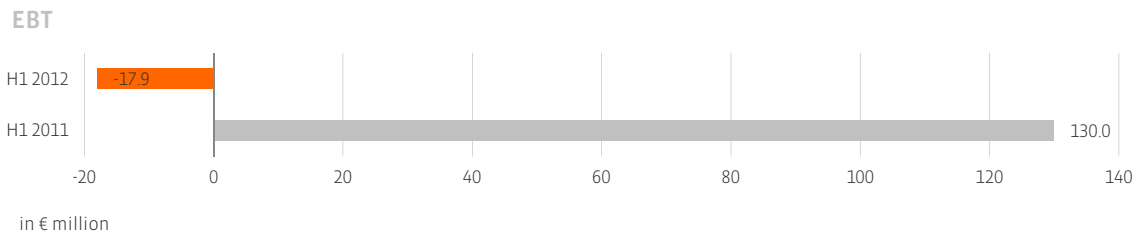
⁶⁾ Including investments, e.g. securities and structured investments

Earnings Situation within the Group

The Salzgitter Group's business activities in the first half of 2012 were influenced by an environment impacted by growing economic uncertainty. Following an upswing at the start of the year, the order activity of many steel product customers was extremely reticent in the second quarter. Economic sentiment appears to be poorer to date – at least in Germany – than is justified by the actual order situation of many steel processing sectors. Given the virtually overall satisfactory capacity utilization situation, accompanied, however, by an unsatisfactory selling price trend, the Group achieved another healthy breakeven in the pre-tax result in the second quarter of the financial year 2012, having closed the preceding quarter at a loss. Thanks to its broad-based positioning and an unchanged equity ratio of 43%, as well as a net financial position of € 535 million, the situation of the Salzgitter Group remains decidedly sound.

External Sales





Consolidated external sales climbed to € 5,378.5 million, which is an increase of around € 600 million (first half of 2011: € 4,773.5 million). The significant expansion in the Trading Division's business volume was a major influencing factor. In the first six months of 2012, the Salzgitter Group delivered a **pre-tax result** of € -17.9 million (first half of 2011: € 130.0 million) and, following a difficult start to the new financial year, is now reporting an uptrend. An amount totaling € 34.6 million in after-tax contribution by Aurubis AG, a participation included at equity, is included in the consolidated financial statements (first half of 2011: € 46.5 million). The **consolidated after-tax result** amounts to € -22.5 million (first half of 2011: € 93.7 million), bringing basic earnings per share to € -0.46 (first half of 2011: € 1.70). The return on capital employed (ROCE) posted 0.4% (first half of 2011: 6.6%).

Steel Division

		Q2 2012	Q2 2011	H1 2012	H1 2011
Order bookings	kt	1,283.3	1,145.1	2,841.4	2,523.3
Order backlog as of 30/06/	kt			1,073.1	996.1
Crude steel production	kt	1,516.3	1,443.9	3,012.9	2,847.8
LD steel (SZFG)	kt	1,155.9	1,189.9	2,272.6	2,390.6
Electric steel (PTG)	kt	360.4	254.0	740.3	457.1
Rolled steel production	kt	1,400.5	1,279.3	2,850.1	2,666.4
Shipments	kt	1,480.5	1,240.5	2,942.4	2,687.5
Sales¹⁾	€ million	992.5	965.5	2,027.4	1,998.4
External sales	€ million	682.0	668.6	1,406.8	1,367.0
Earnings before tax (EBT)	€ million	-46.2	21.0	-97.8	30.4

¹⁾ Incl. sales to other corporate divisions

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 increasingly sophisticated application scenarios.

Shipments and procurement market

At present, the production of crude steel in the **global steel market** is only growing moderately. Over the course of the year to date, crude steel output in the EU as well as in south America and the CIS countries has been in decline. Growth in Asia has slowed notably as opposed to accelerating in the US. Over the first half of 2012, the 62 countries reporting to the World Steel Association produced a total of 767 million tons of crude steel. Compared with the previous year, this is an increase in output of a mere 0.9%. The main factor determining the ailing Chinese steel market is the politically intended cooling of the construction industry. The currently low inventory levels are the principal driver in the US steel market. Moreover, real demand in the US has surged, bolstered in particular by the automobile and energy industries. The global market supply of rolled steel is expected to grow by around only 3%.

As regards **Europe's steel markets**, stimulus from replenishing inventories has meanwhile exhausted itself, thereby interrupting the recovery that set in at the start of the year. In the first two quarters, the crude steel output of the EU 27 recorded a decline of 4.6%. Against the backdrop of the overall economic environment, great caution is being exercised, especially by the distribution sector at present. As a result, order intake by the steel mills is currently modest. Orders have fallen 6% over the course of the year to date in comparison with the year earlier period. The situation is eased through the moderate level held by imports into the EU of rolled steel from countries outside the EU, a trend that is likely to continue given the current exchange rate situation. There are signs of a decline in market supply overall in 2012. This presupposes that the second half-year will be better than the corresponding period of 2011 due to a less pronounced inventory cycle.

In **Germany**, 21.9 million tons of crude steel were smelted in the first half-year, which is 6% less than a year ago. The comparatively robust condition and the capacity utilization of Germany's most important steel processors contrast in part strongly with the situation of their European competitors:

- **Construction industry:** Although the construction sectors' output is below the 2011 figure, new orders in all industry sub-segments are clearly in an uptrend. Residential construction remains the growth driver. The forecasts were recently revised upwards.
- **Automotive industry:** German automobile manufacturers have so far been largely successful in cushioning weaker sales in Western Europe through higher exports to countries outside the EU. Nonetheless, there is likely to be a slight decline in the production of cars and commercial vehicles in 2012. Conversely, the supplier industry is experiencing a growth trend.
- **Mechanical engineering:** According to German Engineering Federation (VDMA) statistics, orders dropped by 7% in the first half-year. Above all the weak development in the euro area is still braking demand, as opposed to the non-euro countries where it appears to have emerged from its lowest point. Production was still running at high levels in the first few months of 2012 on the back of healthy order books, but is likely to slow over the remainder of the year.
- **Steel processors overall:** Order intake as a weighted average is slightly above the previous year's level. In addition, the business sentiment in the majority of sectors is still high despite a downturn in May. The German Steel Association anticipates that the output of steel processors in 2012 will be somewhat higher than in the previous year, although growing uncertainty about the economy has been observed in recent months.

Deterioration in the transparency of iron ore pricing

Price transparency in the global market for **iron ore** has continued to deteriorate. Various models based on different reference periods and benchmarked against the spot market price trend have established themselves in the market. The benchmark prices quoted for fine ore (iron content of 62%) fluctuated within a range of 132.50 to 151.25 USD/dmt CFR China. In the case of price models with a time lag of four months, benchmark prices for the Carajas fine ore reference grade from Brazil of 141 USD/dmt in the first quarter, 122 USD/dmt in the second and 126 USD/dmt in the third quarter were derived (all prices based on FOB). A price below 120 USD/dmt FOB Brazil can be assumed for the fourth quarter owing to the weaker spot market.

The coking coal market returns to normal levels

Along with the conventional spot business, contracts with prices fixed particularly for one month or one quarter are traded on the global market for **coking coal**. In the first six months of 2012, the market's development was once again determined by fresh flooding in Australia's Queensland and several weeks of strikes in some of Australia's mines. In contrast to the ore market, benchmark contracts are still concluded on a quarterly basis for coking coal where the price level with a benchmark effect for the market is fixed through negotiations between the large producers and customers. Quarterly prices fluctuate between 235 USD/t in the first quarter, over 210 USD/t in the second and 225 USD/t in the third (all prices on an FOB basis). Prices are expected to decline in the fourth quarter.

Price fluctuations in metals and ferro-alloys

The international markets for **metals and alloys** presented a very disparate picture in the first six months of 2012: Having displayed more of a sideways movement in the first quarter, the prices of listed metals, such as zinc, nickel, copper and aluminum fell in the second. The prices of manganese-based bulk alloys, which rose sharply in the first quarter, entered a downtrend again over the course of the second quarter.

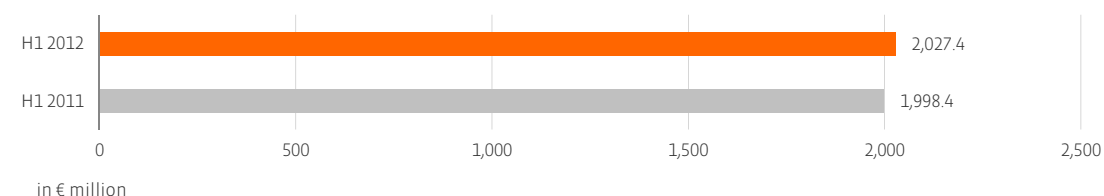
Steel scrap market volatile

The prices in the German **steel scrap market** remained virtually unchanged in April compared with the previous month. All in all, German consumers had sufficient supplies. Disappointing economic data from China and growing anxiety about the euro debt crisis dampened the global economic outlook in May and June. As a result, steel scrap prices softened considerably: Demand in the overseas market and for container scrap exports also dropped sharply and therefore failed to provide price support from the export markets for domestic business.

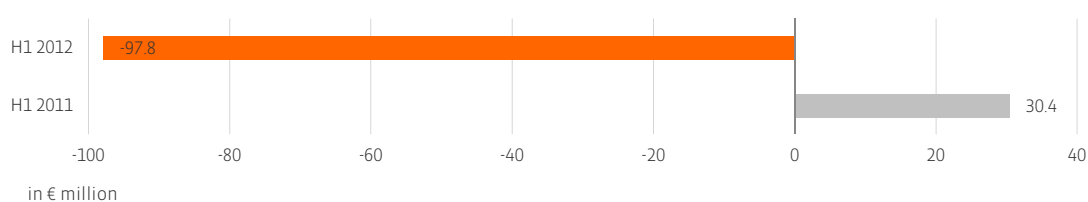
Against this backdrop the Steel Division developed as follows:

The still relatively high steel consumption of industrial customers in Germany as well as support from replenishing inventories by the distribution sector during the first quarter boosted **new orders** and **orders on hand** of the steel companies as well as **crude steel output** and **rolled steel production** compared with the year-earlier period. Moreover, the changed parity of the euro against the US dollar allowed rolled steel exports to countries outside the EU. **Shipments** were also higher than in the first six months of 2011. **Segment sales** matched the previous year's level, with a slight volume-induced increase in external sales. The **pre-tax result** was negative, burdened by unsatisfactory average selling prices, compounded by the persistently high cost of raw materials and energy in the flat steel product segment particular. Towards the end of the reporting period, the willingness of many steel customers to place orders weakened rapidly in the face of deteriorating economic conditions. Implementing the selling price increases so urgently needed was therefore not possible. At the same time, incoming orders slowed progressively due, on the one hand, to the uncertainty felt by steel customers and, on the other, to the fluctuation in demand customary in the summer months.

Sales



EBT



More detailed explanations on the individual companies

New orders booked by **Salzgitter Flachstahl GmbH (SZFG)** settled around the good level achieved in the first six months of 2011. Although orders on hand and crude steel output were lower as against the first half of 2011, the production of rolled steel matched the year-earlier volume. Having got off to a weak start to the new year, earnings invoiced from sales in the second quarter of 2012 were posting a slight growth again which, in view of the further deterioration in the market, will not be sustainable over the summer quarter. The sales of SZFG in the first half of 2012 fell marginally below of the record posted a year ago due to lower selling prices. Shipments, however, were slightly higher than in the excellent year-earlier period. SZFG reported a negative pre-tax result and therefore a notable downturn in earnings compared with a year ago. This performance is mainly attributable to selling prices averaging much lower than in the first six months of 2011 as opposed to raw materials costs remaining at a persistently high level, also due to the euro/dollar exchange rate.

Following a pleasing start to the year, the **plate market** recently came under great pressure again in an environment of anxiousness about the economic development, exacerbated global surplus capacities. The higher level of inventories and weaker order intake by processors also dampened demand. A number of major projects are experiencing delays from financing or planning. As material was available at short notice and buyers are counting on prices falling, covering requirements was kept to a minimum. The imminent summer break is also having a dampening effect. Although there was no additional burden from import prices due to the weak euro exchange rate, the market prices commanded no longer covered the costs, especially of standard grades, of European producers. Competition for business outside the EU remains fierce.

New orders received by **Ilsenburger Grobblech GmbH (ILG)** ranged higher in the first half of 2012 compared with the year-earlier period. Production and shipments also exceeded the volumes achieved in the first six months of 2011. Orders on hand remained within the usual corridor, with ILG again reaping the benefit of the long-term cooperation with the wind power industry. Shipments and pre-tax profit nonetheless fell short of the previous year's figures due to selling prices.

Given the low inventory levels in trading, the **producers of steel sections** reported a strong recovery in orders at the beginning of the year, especially in Europe's core markets. As inventory turnover was weaker than expected, order volumes had been pared down again by the end of the first quarter to prevent more growth in stocks. Starting with the second quarter, the uncertain economic situation in the EU was reflected in customer demand patterns, with delays in the awarding of steel construction projects, for instance.

Peiner Träger GmbH (PTG) was unable to decouple from market influences. From May onwards, the situation of the largest customer group of PTG, which is stockholding steel trading, worsened again: Customer orders were reduced to cover absolute necessities and placed at even shorter notice. Thanks to the weak euro, there was nevertheless export potential to countries outside the EU. Steel works net selling prices, that had improved at the start of the year, were unable to stabilize under these conditions.

Order intake and orders on hand were appreciably higher as against a year ago. This was principally attributable to brighter prospects in the market at the start of 2012 and the export opportunities, along with internal demand for slabs. Crude steel output exceeded the previous year's volume, boosted by higher capacities resulting from the meanwhile more stable parallel operation of the two electric arc furnaces, and the production of rolled steel also increased. Shipments and sales climbed in comparison with the first half of 2011. The pre-tax result, albeit still negative, was lifted.

The **sheet piling market** is extremely dependent on public-sector investment where the spending policy is determined by cuts to contain the financial crisis. Projects for new measures and for expanding the waterway engineering infrastructure and flood protection have therefore been shelved for the time being. There is still no discernible impetus for the private sector from policies to promote renewable energies with the installation of conventional and renewable power plant capacities.

HSP Hoesch Spundwand GmbH (HSP) closed the first year with new orders remaining at the year-earlier level and a slight increase in its order book. With production volumes holding steady, sales rose appreciably on the back of higher shipments and were therefore much higher than a year ago. Unscheduled cost burdens, however, prevented the still negative result from improving.

Germany's construction industry proved to be generally very stable in the first half of the year as a number of industrial and logistics project were awarded. There was, however, considerable competitive pressure from Germany's neighboring countries. Against this backdrop, shipments, sales and the pre-tax profit of **Salzgitter Bauelemente GmbH (SZBE)** remained unchanged from the previous year.

The German automobile market, where business remained brisk, was much more robust than in Western Europe. Exports to non-EU countries continued to represent the mainstay of German manufacturers. **Salzgitter Europlatinen GmbH (SZEP)** succeeded in lifting its shipments on the back of stable sales, supported by this environment. Nonetheless, the result was lower than in the previous year due, among other factors, to higher maintenance expenses.

Trading Division

		Q2 2012	Q2 2011	H1 2012	H1 2011
Shipments	kt	1,619.7	1,195.3	3,080.0	2,137.9
Sales¹⁾	€ million	1,305.3	988.1	2,415.2	1,789.9
External sales	€ million	1,294.6	955.0	2,398.4	1,737.3
Earnings before tax (EBT)	€ million	16.1	14.8	27.6	38.2

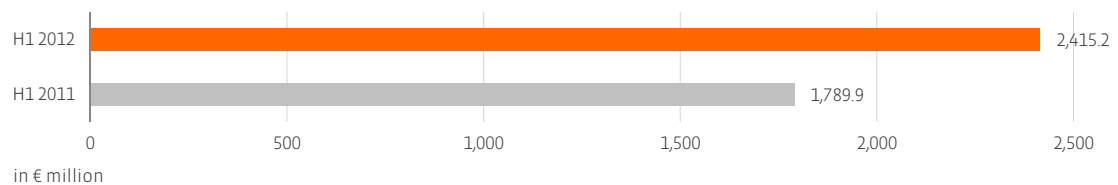
¹⁾ Incl. sales to other corporate divisions

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 in the international markets.

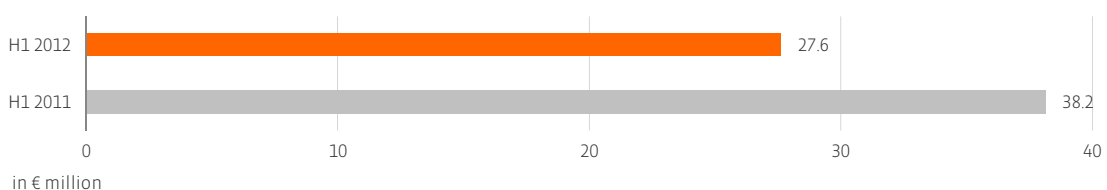
In the first months of the financial year 2012, the development of the international steel trading markets was determined by growing demand and by a slight price uptrend above all in Asia. As the year progressed, prices stagnated and were showing signs of a downtrend by the end of the first six months, attributable in particular by the lower selling price level in the Russian market as well as in the regions of Southeast Asia and South America. Irrespective of the price situation which favored steel processors, many of them were still very hesitant in their approach, which meant that there was no significant impetus to drive volume trends. Demand in Germany was stable, although prices came under increasing pressure in this country as well.

In the Trading Division the still healthy order volumes of international trading generated **shipments** which were significantly higher than a year ago (+44%). As a result, **segment** (+35%) and **external sales** (+38%) grew substantially. The division delivered a pleasing **pre-tax profit** but did not repeat the year-earlier result, which was affected by windfall effects.

Sales



EBT



Salzgitter Mannesmann Handel Group (SMHD Group) continued to perform well. Total shipments notably exceeded the 2011 figure, and there was a similarly steep increase in sales. Profit before tax, however, fell short of the previous year's figure due to lower average selling prices.

The **stockholding trade** almost matched year-earlier shipments and sales although the development of the individual companies varied: Whereas the Dutch, Czech and Hungarian companies achieved or surpassed the volumes of the first six months of 2011, the other companies remained below these levels. Sales were in a slight downtrend. The pre-tax result, however, was satisfactory but not as high as the year-earlier figure that was impacted by windfall effects.

Compared to the first half of 2011, **international trading** reported a notable increase in volumes on the back of ongoing stable business in Africa and deliveries to the Far East. Sales climbed sharply, and margins which have meanwhile improved were reflected in the pre-tax profit which was considerably higher than a year ago.

The **Universal Eisen und Stahl Group (UES Group)** benefited from the strong demand for machinery and steel construction, and lifted both shipments and sales significantly. Excessively generous market supply overall subsequently eroded selling prices. However, thanks to gratifying contributions from the US subsidiaries, the year-earlier pre-tax profit was exceeded.

Shipments at the steel service center **Hövelmann & Lueg GmbH (HLG)** were somewhat lower in the first half of 2012 than a year ago. Strong pressure on prices caused by capacity underutilization in the German market resulted in a shortfall in sales, and the pre-tax result remained at the previous year's level which was marginally negative.

Tubes Division

		Q2 2012	Q2 2011	H1 2012	H1 2011
Order bookings	€ million	390.7	461.7	1,141.6	1,263.5
Order backlog as of 30/06/	€ million			1,069.0	1,196.4
Sales¹⁾	€ million	564.2	561.5	1,040.9	1,098.1
External sales	€ million	401.5	458.0	790.5	903.2
Earnings before tax (EBT)	€ million	17.9	32.0	8.3	46.7

¹⁾ Incl. sales to other corporate divisions

The **Tubes Division** comprises numerous subsidiaries and associated companies which manufacture and process 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.

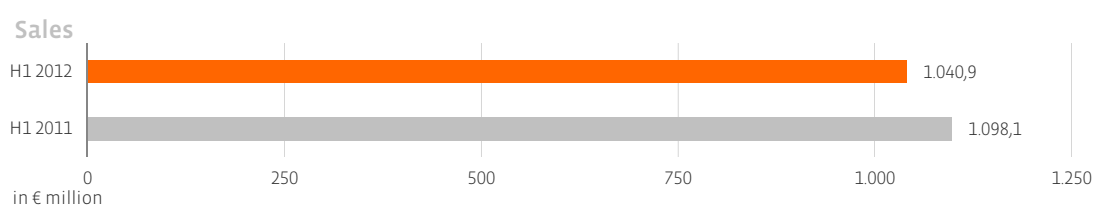
The first half of 2012 saw a slowdown in overall global demand for steel tubes. However, the demand from the energy sector gradually took on the role of a mainstay of steel tube shipments. Order activity in the European automotive industry declined compared with the machinery and plant engineering sectors where it stagnated at a high level.

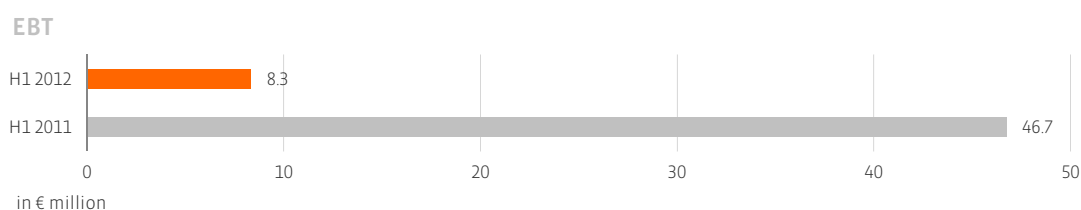
Despite greater volumes, the **order intake** of the Tubes Division fell short of the 2011 figure due to selling prices (-10%). Compared with HFI-welded tubes, which reported significant growth, the large-diameter and precision tubes segments above all did not match the 2011 level, which was also a factor contributing to the lower **order book** (-11%).

Growth in the shipments of HFI-welded tubes and seamless stainless steel tubes was unable to fully compensate for the downturn in the volumes of large-diameter tubes caused by the cancellation of an order in the first quarter. All in all, the **tubes shipments** were somewhat lower.

Segment sales in the first half of 2012 were slightly lower than the previous year's figure due to the short-fall in volume in the large-diameter tubes segment, whereas HFI-welded tubes and seamless stainless steel tubes recorded notable increases. The **external sales** of the Tubes Division were down 12%.

After the first quarter that was affected by short-time work, consistent capacity utilization across all product segments set in from April onwards. The **pre-tax result**, which amounted to € 8.3 million, was positive, but was nonetheless considerably lower than the previous year's figure (€ 46.7 million) that was also impacted by non-recurrent effects.





Business development of the product segments:

The **large-diameter tubes** segment suffered from a severe capacity utilization gap in the first quarter of 2012 that was, however, largely made up through the booking of a major Australian contract for the delivery of 410,000 tons of large-diameter pipes from April onwards. Order intake and orders on hand did not repeat the year-earlier figures. Although Salzgitter Mannesmann Großrohr GmbH (MGR) reported sharp growth from the delivery of contracts processed back in 2011, shipments were one third down in comparison with the 2011 figure as Europipe GmbH (EP) dispatched hardly any tubes at the start of the year. Sales were also considerably lower than in the first six months of 2011 for the same reason. An improvement in capacity utilization and the release of risk provisions for inventory valuations at EP enabled the large-diameter tubes segment to achieve a marginally positive result that nonetheless remained much lower than a year ago.

Brisker order activity both in the international project and the standard business boosted the order intake, shipments and sales of **HFI-welded tubes** and lifted orders on hand slightly above the year-earlier figure. This business delivered a presentable pre-tax profit.

In the **precision tubes** segment, growing uncertainty about the economy in the industrial and energy sectors led to a downturn in bookings, as opposed to Germany in particular which continued benefit from a healthy demand for automobiles. All in all, this caused a sharp decline in new orders, and consequently also in orders on hand, especially in the French plants. Shipments and sales also fell short of the year-earlier figures. The segment reported a negative pre-tax result due to the difficult situation in France and also to non-recurrent out-of-period burdens.

The recovery in the market for **seamless stainless steel tubes** held steady in the first half of 2012. Although order intake did not reach the level posted in 2011 due to selling prices, orders on hand, shipments and sales were discernibly higher. The project of business fell somewhat short of expectations, especially in power plant engineering, which is an important business for Salzgitter Mannesmann Stainless Tubes Group. Pre-tax profit appreciably outperformed the year-earlier figure.

Services Division

		Q2 2012	Q2 2011	H1 2012	H1 2011
Sales ¹⁾	€ million	344.5	325.9	680.8	625.9
External sales	€ million	103.8	119.2	212.2	238.7
Earnings before tax (EBT)	€ million	4.1	3.4	10.2	8.3

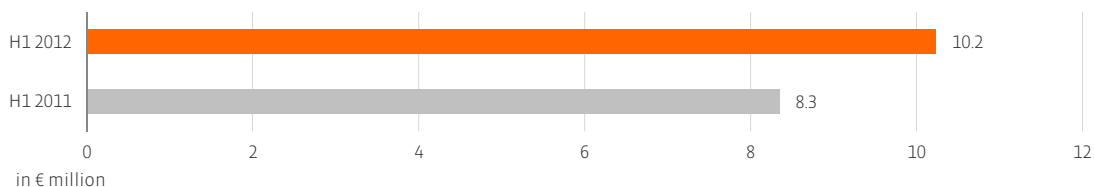
¹⁾incl. sales to other corporate divisions

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

Sales



EBT



The division's **segment sales**, determined mainly by the activities of the steel producing companies, rose to € 680.8 million compared with the year-earlier period. In terms of the amount, DEUMU Deutsche Erz- und Metall-Union GmbH (DMU) made the greatest contribution, largely from higher steel scrap volumes needed to cover the requirements of Peiner Träger GmbH (PTG). Salzgitter Automotive Engineering GmbH & Co. KG (SZAE) and Salzgitter Hydroforming GmbH & Co. KG (SZHF) also reported sales growth. All other companies remained virtually unchanged from the year-earlier level. **External sales**, which posted € 212.2 million, were in a slight downtrend.

The Services Division generated a **pre-tax profit** of € 10.2 million, thereby outperforming the year-earlier result. SZAE and SZHF made major contributions to raising profit thanks to improved capacity utilization, although SZAE did not quite achieve a turnaround. Despite recording an increase in sales, DMU fell marginally short of the result of the first half of 2011 due to narrower trading margins.

Technology Division

		Q2 2012	Q2 2011	H1 2012	H1 2011
Order bookings	€ million	276.4	211.7	563.7	455.2
Order backlog as of 30/06/	€ million			457.7	347.6
Sales¹⁾	€ million	268.7	243.1	549.0	486.3
External sales	€ million	268.4	242.8	548.5	485.7
Earnings before tax (EBT)	€ million	0.1	-9.4	2.6	-17.7

¹⁾ Incl. sales to other corporate divisions

The **Technology Division** of Salzgitter AG comprises mechanical engineering companies which operate worldwide. KHS GmbH (KHSDE), a company which occupies a leading international position in filling and packaging technology, is the mainstay of sales. The KHS Group is a full-line supplier, from intralogistics across processing through 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-AG (RSE), a company managing and developing commercial real estate in Germany, is also assigned to the Technology Division.

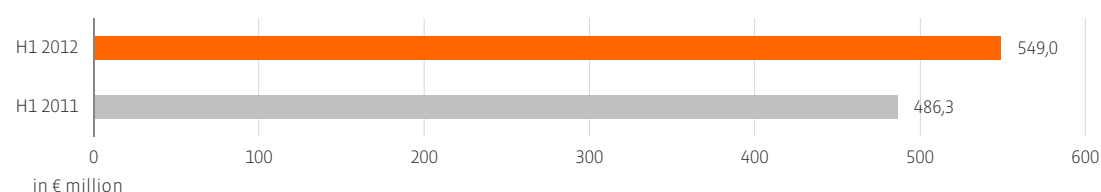
With retrospective effect as per January 1, 2012, two additional companies of the Technology Division were included in the group of consolidated companies of Salzgitter AG:

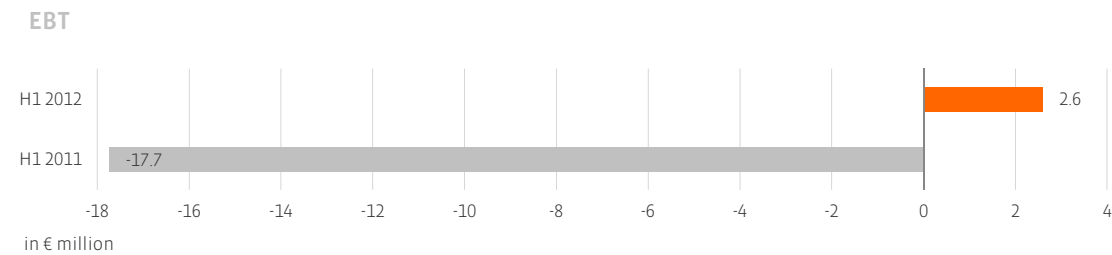
- DESMA Slovakia s.r.o. (KDESL)
- DESMA Rubber Injection Machinery (Wuxi) Co. Ltd. (DRIM)

Starting from an exceptionally high level, the order intake of the German machinery and plant engineering sector declined by 7 % in the first six months of 2012 in a year-on-year comparison. This downturn was caused primarily by the recessionary impact of the European sovereign debt crisis. Moreover, potential investors are currently assuming a cautious stance. Despite a marginal slowdown in orders received in Germany and abroad, the German Engineering Federation (VDMA) nonetheless considers the signs in the market to be positive overall.

In contrast, the market for food and packaging machinery continued to recover swiftly, posting appreciable growth (+11 %) as against the first six months of 2011.

Sales





In the first half of 2012, the **order intake** of the Technology Division was up almost 25% compared with a year ago. This increase was due first and foremost to the pleasing growth of the KHS Group, enabling it to compensate for the loss of market share from previous years. The group once more considerably outperformed the overall food and packaging machinery sector. The largest increases were achieved by the KHS companies in Germany, the US and India.

Orders on hand totaled € 457.7 million, which is notably higher than the year-earlier figure (+32%).

Segment and external sales rose considerably as against the year-earlier period (+13%), with major contributions especially from the KHS companies operating in Germany, the US and Japan. Klöckner DESMA Schuhmaschinen GmbH (KDS) also reported a slight rise in sales.

Pre-tax profit in the first half of 2012 amounted to € 2.6 million, which is a significant improvement against its 2011 counterpart (€ -17.7 million). Capacity utilization continues to run at a high level in the KHS Group, and sales margins in the project business are widening. The success of the “Fit4Future” program initiated in 2011 is also reflected positively in the result. The KDE (Klöckner DESMA Elastomertechnik) Group's higher profit is due primarily to the initial inclusion of the newly consolidated KDE companies in China and Slovakia. KDS also lifted its pre-tax result.

To achieve sustainable competitiveness and profitability, the KHS Group stepped up the pace of its streamlining measures in the second half of 2011. The “Fit4Future” program launched for this purpose comprises eleven components aimed at a leaner Group, lowering costs, enhancing the flexibility with which the volatile order intake is handled and reducing the complexity by focusing production and standardizing the global product program. In this context, jobs are to be cut at KHSDE, mainly in the area of administration, on the basis of a redundancy program (157 employees by June 30, 2012).

Other/Consolidation

		Q2 2012	Q2 2011	H1 2012	H1 2011
Sales ¹⁾	€ million	55.9	44.7	137.7	92.4
External sales	€ million	13.4	22.6	22.0	41.8
Earnings before tax (EBT)	€ million	9.7	11.9	31.1	24.1

¹⁾ Incl. sales to other corporate divisions

The **Other/Consolidation** segment comprises activities that are not directly allocated to an operating 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), the companies under which the major companies of the Salzgitter Group are held.

Sales in the Other/Consolidation segment, which are based mainly on business in semi-finished products with subsidiaries and external parties, climbed to € 137.7 million during the reporting period on the back of higher intra-group deliveries (previous year: € 92.4 million). **External sales** fell to € 22.0 million (previous year: € 41.8 million) owing to the economic environment.

Pre-tax profit stood at € 31.1 million, which is higher compared with a year ago (€ 24.1 million). The result includes € 34.6 million in after-tax profit (previous year: € 46.5 million) from Aurubis AG (NAAG), a participation included at equity. An additional positive effect derived from interest income resulting from the cash management carried out by SMG. Effects from the valuation of financial instruments had a countervailing impact.

Explanations on the Financial Position and Net Worth

The **total assets** of the Salzgitter Group rose by 5 % (€ +480 million) in the current reporting period compared with December 31, 2011. Whereas the depreciation of property, plant and equipment and amortization of intangible assets exceeded investments by € 21 million, financial assets in particular climbed by € 41 million.

The increase in **current assets** (€ +436 million) was attributable to the volume- and price-induced growth in trade receivables (€ +366 million) and in securities investments (€ +248 million). The financial assets declined by € 139 million.

On the **liabilities side**, the improved volume of business was shown mainly by the current liabilities (€ +531 million). Trade payables (€ +335 million) and other liabilities (€ +185 million) was commensurate the increase in trade receivables. The equity ratio stood at 42.7% which continues to constitute a sound basis.

The increase in prepayments for projects, that was also mainly responsible for the rise in other liabilities, resulted in a positive **cash flow from operating activities** (€ +231 million) in spite of a negative pre-tax result (€ -18 million).

The **cash outflow from investment activities** (€ -340 million) was primarily attributable to payments for investment in property, plant and equipment (€ -151 million) and financial assets (€ -45 million) the level of which fell slightly short of the year-earlier period (€ -216 million). In addition, there was an outflow of € 145 million for financial investment of funds.

The disbursement of dividend (€ -24 million), the redemption of loans (€ -4 million), and interest payments (€ -6 million) constituted a **cash outflow from financing activity** (€ -34 million).

Cash and cash equivalents fell by € 143 million compared with December 31, 2011.

The **net credit balance** had risen slightly to € 535 million by the end of the reporting period (December 31, 2011: € 508 million). Investments worth € 1,232 million, including securities, were offset by liabilities of € 697 million (December 31, 2011: € 695 million) of which € 105 million owed to banks and € 592 million in obligations attached to convertible and exchangeable bonds.

Investments

In the first six months of the financial year 2012, **investments in property, plant and equipment and intangible assets** amounted to € 149.6 million, which is below the year-earlier figure (€ 180.7 million). Depreciation and amortization (€ 170.6 million) were virtually unchanged from the previous year's level (€ 166.4 million) and thus exceeded the amount of investment in the reporting period.

In the second half of 2012, **Salzgitter Flachstahl GmbH (SZFG)** focused on projects to optimize existing facilities, on securing availability, and on environmental protection measures.

Following its phased commissioning, the **"Blast Furnace B Top Gas Recovery Turbine"** for recovering energy from the top gas resulting from the blast furnace process is meanwhile being used for energy-efficient electricity generation.

Assembly work under the **"Belt Casting Technology"** project, which is being implemented to enable the future production of innovative steel materials featuring special properties while conserving resources, is in its final stages.

The construction measures involved in the **"Tandem Mill Entry Looper"** are still underway. The tandem mill is to be supplemented by an inlet system with a welding machine and strip storage that will allow partly continuous rolling. This measure will enhance both the efficiency of the mill and the quality of the products subsequently manufactured.

The construction and assembly phase of the **"Sinter Cooler Dust Removal"** environmental protection project is progressing to schedule. The existing sinter cooler is to be equipped with a dust extraction system and connected up to a filter to reduce emissions

The projects under the "ILG 2015" investment project of **Ilseburger Grobblech GmbH (ILG)** to raise the volume of thick slabs (350mm thick input material) used in production are proceeding according to plan.

The work on the major "Replacement of the Cross Cut Shear" investment project of **Salzgitter Mannesmann Grobblech GmbH (MGB)** is proceeding in line with schedule.

Another seven of a total of 40 locomotives arrived at **Verkehrsbetriebe Peine-Salzgitter GmbH (VPS)** in the first half of 2012.

In its function as property developer and cost-bearing company, **Glückauf Immobilien GmbH (GIG)** commenced with the construction of a new visitor center for SZFG at Gate 1 of the Salzgitter steelworks. The two-storey building, made of steel and glass, is due for completion in December 2012.

The investment activities of the Technology Division were channeled into replacement and streamlining measures geared to promoting the competitiveness of the **KHS Group**. IT projects in Germany and in the international companies were carried out to further optimize processes.

The relocation of the keg technology from Kriftel to **KHS GmbH's (KHSDE)** second largest site in Bad Kreuznach has been completed. Along with its excellent infrastructure, this plant is better equipped to smooth demand peaks. The location also offers sufficient area to accommodate further expansion. The relocation of packaging and pallet transport production from Worms to Dortmund is still ongoing due to the high level of orders to be processed.

In June of the current year, **Corpoplast Beverage Equipment (Suzhou) Co., Ltd (CBE)** was commissioned in Suzhou near Shanghai. In August of 2012, the assembly of machines for the production and filling of plastic bottles for mineral water commenced at this site.

Hamburg-based **KHS Corpoplast GmbH (BEVCP)** has started construction work on a new building to cover an extended assembly area. Expanding the stretch blow-molding machine business as part of KHS' "Fit4Future" program is an important strategic key success factor in PET product lines.

Research and Development

Salzgitter Mannesmann Forschung GmbH (SZMF) is the central research unit of the Steel and Tubes Division. The R&D activities are concentrated on materials development and processing, including application, finishing, and test technologies. Along with the companies of the Salzgitter Group, customers include external companies, for instance from the steel processing industry, automotive industry, machinery and plant engineering, energy technology, and the building and construction industry.

SZMF's R&D expenses in 2012 are expected to remain at the previous year's level. No significant changes have been planned in the number of employees either.

New co-laminate strip coating product

SZMF and a paint and film manufacturer worked together to enhance and qualify co-laminates for Salzgitter Flachstahl GmbH (SZFG). These special strip coating products are provided with a polyethylene terephthalate film (PET) in addition to the customary paint structure. Special properties, such as scratch resistance, chemical resistance and easy-care surfaces, can be integrated individually into the transparent or chromophore films. Numerous application areas are possible in the household appliance industry and in food technology. Material with a transparent film on white paint for cold storage cells and the same with a metallic look for household appliance industry customers have already been produced successfully on the SZFG strip coating line.

Award-winning steel mill temperature model

SZMF process analysts and steel mill experts of SZFG have created a mathematical model for calculating optimal melting temperatures for the operational steps between the converter and the continuous casting system in the steel mill. Taking into consideration the process-specific and grade-specific influencing factors, such as the steel's chemical composition, the process times and the equipment conditions, temperature forecasts are determined for optimal temperature control in the steel mill. The model is currently being put into operational practice in order to optimize product quality further. It was honored at an international symposium on the use of statistical and mathematical methods in industry.

New filler platform for the wine, champagne and spirit sector

Last year, KHS GmbH (KHSDE) launched a new era in filling technology with the KHS "Innofill Glass" platform solution. The wine, champagne and spirit sectors are now joining the brewing and soft drink industry in profiting from the numerous positive aspects. In addition to an optimized, computer-aided platform solution, KHSDE is also launching another two new filling systems. All fillers process bottle sizes from 0.1 to 3 liters and output from 10,000 to 72,000 glass bottles an hour. Improved system availability, reduced media and energy consumption and lower maintenance and service costs are only a few of the advantages.

Employees

	30/06/2012	31/12/2011	+/-
Core workforce	23,334	23,367	-33
of which Steel Division	7,109	7,014	95
of which Trading Division	2,068	2,070	-2
of which Tubes Division	5,500	5,550	-50
of which Services Division	3,848	3,943	-95
of which Technology Division	4,638	4,625	13
of which Holding	171	165	6
Apprentices, students, trainees	1,223	1,550	-327
Passive age-related part-time employment	678	591	87
Total workforce	25,235	25,508	-273

The **core workforce** of the Salzgitter Group came to 23,334 employees on June 30, 2012, which is 33 staff less than at the beginning of the year. The factors contributing to this decrease were employees taking up non-active age-related part time and the expiry of temporary contracts. In contrast, the new consolidation of the technology companies DESMA Slovakia s.r.o. (KDESL) and DESMA Rubber Injection Machinery (Wuxi) Co. Ltd. (DRIM) which took place on June 30, 2012, with retrospective effect from January 1, 2012, added 107 employees to the personnel statistics for the first time. Since January 1 of this year 302 trainees were given employment contracts, 243 of whom on a temporary basis.

At the end of the first half of 2012 the number of temporary staff outsourced had declined by 90 persons in comparison with the 2011 reporting date. As per June 30, 2012, no employees of Salzgitter Group were affected by short-time work.

Forecast, Opportunities and Risk Report

The economic outlook for the whole euro area is very subdued due to the severe problems from the European sovereign debt and currency crisis. The comparatively robust situation of Germany is also coming increasingly under pressure of contagion. Against this backdrop, many steel processors and stockholding steel traders that replenished their inventories in the first quarter are currently adopting a wait-and-see stance. At the same time, the inventory coverage of the steel trade remains at a normal level. It therefore appears feasible that the fall may bring a recovery in demand and the implementation of urgently needed price increases. A prerequisite for this assumption is that international demand for German industrial goods remains strong. Breakeven can, however, no longer be expected for the **Steel Division** this year.

The **Trading Division** anticipates comparatively stable business overall in the coming months. The stockholding business will nonetheless be exposed to uninterrupted price pressure, despite steady business volumes. In contrast, international trading should continue to benefit from comfortable demand, especially for flat steel and tubes, thereby partly compensating for the moderate margin trend in the European stockholding steel trade. From today's standpoint, a mid-double-digit million profit would appear to be feasible.

In the **Tubes Division**, the resumption of the capacity utilization of the large-diameter tubes companies has already had a positive impact on the results of the second quarter. As before, the other product segments anticipate a generally satisfactory situation in respect of capacity utilization and margins, which prompts us to forecast a positive pre-tax result for the Tubes Division.

In the **Services Division**, sales and profit are expected to remain around the level of the previous year.

The KHS Group as part of the **Technology Division** anticipates a challenging third quarter due to seasonal influences. Thanks to the comparatively high order intake in the first half of the year, capacity utilization should hold steady at a good level over the remainder of the year. The other companies of the division are likely to maintain the positive trend shown to date. In terms of the year as a whole, we uphold our assumption that there will be a notable improvement in pre-tax result compared with the financial year 2011.

The uncertainty triggered by the sovereign debt crisis in a number of euro countries continues to exert massive pressure on the economic climate. Several key ratios in the industry, however, support the supposition that the outlook for a number of sub-sectors of the economy is still better than the current sentiment would suggest. We continue to anticipate stable sales at minimum and a positive pre-tax result for the Salzgitter Group. This should be in the lower- to mid-double-digit million euro range.

As in recent years, 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 currency parity, may considerably affect performance in the course of the financial year 2012. 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 in the second half 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

As regards 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 from raw materials price volatility, particularly iron ore and coking coal whose deliveries are largely based on quarterly contracts in 2012 as well, the effects on the result of the companies have been factored to the extent they can be estimated. Negotiations with iron ore suppliers – involving a customarily significant volume – on a one-year contract are close to conclusion. The market leader for coking coal implemented contracts based on monthly pricing from the second quarter of 2011 onwards. This affects around one third of the volume purchased by Salzgitter AG. From today's standpoint, we do not anticipate any fundamental change at short notice in the Group's risk position.

Events of Significance

Salzgitter takes over part of the operations of Kovac Stahl

The Trading Division has signed a contract to acquire the Graz- and Gratkorn-based operations of Kovac Stahl (Graz/Austria). Kovac Stahl, which has a workforce of around 130 employees, operates steel trading and steel service center activities at its various locations. With shipments of more than 40,000 tons, the company generated sales of approximately €47 million in 2011. This acquisition enables the Trading Division of Salzgitter AG to strengthen its market position in Austria. It will now be present on this market through its own warehouse location. Moreover, the transaction has extended its portfolio in the field of thermal separating technologies to include laser cutting.

Graduate economist Michael Kieckbusch appointed to the Executive Board

The Supervisory Board of Salzgitter AG has appointed graduate economist Michael Kieckbusch (50) as the Executive Board member responsible for Personnel and Services, with effect from April 1, 2013. He is the successor to Mr. Peter-Jürgen Schneider who, after ten years of serving on the Executive Board, will retire on March 31, 2013. Prior to this appointment, Mr. Kieckbusch, who joined the Group in 1989, was a member of the Executive Board of Salzgitter Stahl GmbH (SZS) and Managing Director/CO Human Resources of the three steel companies in Salzgitter, Peine and Ilsenburg.

Steel industry battles additional burdens in emissions trading

Since, in its verdict of June 4, 2012, the General Court of the European Union dismissed the actions for formal reasons brought by the EUROFER, the European Steel Association, as well as by a number of steel producers in German-speaking countries against unjustified additional burdens from emissions trading resulting from the fixing of inappropriate allocation benchmarks for pig iron and sinter, the steel producers now plan to contest the decision at national level.

The European Court has not passed a verdict in the matter. Instead, it merely stated that a national court initially would have to decide on the allocation of certificates to European steel producers. A ruling at national level would be the pre-requisite for the European Court to address itself to examining the content of the issue. Furthermore, it ruled that the allocation decisions must first be made before an action can be brought before the national courts. Steel producers must then lodge an objection against these decisions and, in the instance of rejection, institute legal proceedings.

The concerns of the steel industry are directed against the specific regulations governing the allocation of emission certificates as from the year 2013 and not generally against the instrument of emissions trading itself. Their claim is that the Commission has set CO₂ benchmarks for pig iron and sinter products at a level that contravenes the directives on the European emissions trading, and which is technically not achievable, as well as not being in line with the implementation directives. The European steel industry is of the opinion that the resulting additional burdens it will have to confront will be significant.

Interim Financial Statements

I. Consolidated Income Statement

in € million	Q2 2012	Q2 2011	H1 2012	H1 2011
Sales	2,763.7	2,465.9	5,378.5	4,773.5
Increase/decrease in finished goods and work in process/other own work capitalized	-15.3	109.8	-12.8	189.6
	2,748.3	2,575.7	5,365.7	4,963.1
Other operating earnings	25.9	50.1	84.9	100.8
Cost of materials	2,053.4	1,850.8	4,002.2	3,546.2
Personnel expenses	381.9	370.3	752.3	726.9
Amortization and depreciation	85.7	84.4	170.6	166.4
Other operating expenses	234.0	244.5	530.3	496.3
Income from shareholdings	4.2	2.0	5.1	2.0
Income from associated companies	7.8	18.4	35.1	46.9
Financing income	11.3	9.6	20.3	17.0
Financing expenses	40.9	32.1	73.5	63.9
Earnings before tax	1.6	73.7	-17.9	130.0
Income tax	8.7	24.0	4.6	36.3
Consolidated net income/loss for the period	-7.0	49.7	-22.5	93.7
Appropriation of profit				
Consolidated net income/loss for the period	-7.0	49.7	-22.5	93.7
Profit carried forward from the previous year	0.0	0.0	27.1	19.3
Minority interests	1.3	1.0	2.6	2.1
Dividend payment	-24.3	-17.3	-24.3	-17.3
Appropriation from (+) / to (-) other retained earnings	8.2	-48.8	25.0	-91.7
Unappropriated retained earnings	-24.4	-17.3	2.7	2.0
Basic earnings per share (in €)	-0.15	0.91	-0.46	1.70
Diluted earnings per share (in €)	-0.15	0.89	-0.46	1.68

II. Statement of Comprehensive Income

in € million	Q2 2012	Q2 2011	H1 2012	H1 2011
Consolidated net income/loss for the period	-7.0	49.7	-22.5	93.7
Changes in currency translation	9.8	-2.4	6.7	-12.6
Change in value from hedging transactions				
Changes in current value recorded directly in equity	0.9	-0.7	-1.2	0.2
Recognition of settled hedging transactions with effect on income	0.0	0.0	1.3	-0.7
Changes in current value recorded directly in equity of financial assets in the "Available-for-sale assets" category				
Changes in current value recorded directly in equity	-1.1	-2.8	2.6	-1.7
Deferred tax on changes without effect on income	0.6	-0.1	0.3	-0.1
Other changes without effect on income	5.2	3.1	-1.5	-8.9
Changes directly recorded in equity	15.5	-2.9	8.2	-23.8
Total comprehensive income	8.5	46.8	-14.4	69.9
Total comprehensive income due to Salzgitter AG shareholders	7.0	45.8	-16.9	67.8
Total comprehensive income due to minority interests	1.5	1.0	2.6	2.1
	8.5	46.8	-14.4	69.9

III. Consolidated Balance Sheet

Assets in € million	30/06/2012	31/12/2011
Non-current assets		
Intangible assets		
Other intangible assets	114.3	120.8
Property, plant and equipment	2,522.8	2,533.6
Investment property	23.9	24.0
Financial investments	177.3	136.1
Associated companies	621.0	600.9
Deferred income tax assets	255.9	256.1
Other receivables and other assets	3.9	3.8
	3,719.2	3,675.3
Current assets		
Inventories	2,130.9	2,105.8
Trade receivables	1,813.6	1,447.3
Other receivables and other assets	377.2	477.3
Income tax assets	106.8	71.1
Securities	325.5	77.0
Cash and cash equivalents	806.9	946.2
	5,560.9	5,124.7
	9,280.1	8,800.0
Equity and liabilities in € million	30/06/2012	31/12/2011
Equity		
Subscribed capital	161.6	161.6
Capital reserve	238.6	238.6
Retained earnings	3,916.4	3,933.1
Unappropriated retained earnings	2.7	27.1
	4,319.4	4,360.4
Treasury shares	-369.7	-369.7
	3,949.7	3,990.7
Minority interests	11.8	9.0
	3,961.4	3,999.8
Non-current liabilities		
Provisions for pensions and similar obligations	1,879.6	1,893.2
Deferred tax liabilities	73.0	81.8
Income tax liabilities	213.9	207.4
Other provisions	257.9	259.6
Financial liabilities	606.4	601.4
	3,030.8	3,043.4
Current liabilities		
Other provisions	343.8	352.3
Financial liabilities	169.1	146.5
Trade payables	1,135.8	800.5
Income tax liabilities	36.9	40.6
Other liabilities	602.3	416.9
	2,287.8	1,756.8
	9,280.1	8,800.0

IV. Cash Flow Statement

in € million	H1 2012	H1 2011
Earnings before tax (EBT)	-17.9	130.0
Depreciation, write-downs (+)/write-ups (-) on fixed assets	170.6	166.4
Income tax refunded (+) / paid (-)	2.2	65.8
Other non-payment-related expenses (+)/income (-)	58.6	33.7
Interest expenses	65.5	63.9
Profit (-)/loss (+) from the disposal of fixed assets	1.6	0.9
Increase (-)/decrease (+) in inventories	-16.1	-279.1
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	-428.6	-286.7
Use of provisions affecting payments, excluding income tax provision	-135.2	-139.2
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investment or financing activities	530.9	161.3
Cash outflow/inflow from operating activities	231.3	-83.0
Cash inflow from the disposal of fixed assets	0.1	1.0
Cash outflow for investments in intangible and fixed assets	-151.0	-179.1
Cash inflow (+)/outflow (-) for funds	-145.3	34.8
Cash inflow from the disposal of financial assets	1.2	5.2
Cash outflow for investments in financial assets	-45.2	-36.8
Cash flow from investment activities	-340.2	-174.9
Cash outflow in payments to company owners	-24.3	-17.3
Cash inflow (+)/outflow (-) as a result of the issuing of bonds, borrowings and other financial liabilities	-3.6	-15.0
Interest paid	-5.8	-8.7
Cash outflow/inflow from financing activities	-33.7	-41.0
Cash and cash equivalents at the start of the period	946.2	1,574.3
Cash and cash equivalents relating to changes of the consolidated group	1.0	5.4
Gains and losses from changes in foreign exchange rates	2.4	-2.1
Payment-related changes in cash and cash equivalents	-142.6	-298.9
Cash and cash equivalents at the end of the period	806.9	1,278.7

V. Statement of Changes in Equity

in € million	Subscribed capital	Capital reserve	Purchase/ repurchase of treasury shares	Other retained earnings	Reserve from currency translation
As of December 31, 2010	161.6	238.6	- 369.7	4,108.1	- 14.5
Goodwill resulting from the acquisition of minority interest				- 31.8	
Total comprehensive income				- 0.1	- 12.6
Dividend					
Group transfers to retained earnings				91.7	
Changes to the Group of consolidated companies				16.4	
Other				- 0.8	
As of June 30, 2011	161.6	238.6	- 369.7	4,183.5	- 27.1
As of December 31, 2011	161.6	238.6	- 369.7	4,311.1	- 15.0
First-time consolidation of affiliated companies so far not consolidated due to materiality reasons				0.2	
Total comprehensive income				0.0	6.7
Dividend					
Group transfers from retained earnings				- 25.0	
As of June 30, 2012	161.6	238.6	- 369.7	4,286.2	- 8.2

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
-0.3	-6.1	-301.8	19.3	3,835.3	10.6	3,845.9
				-31.8	-1.0	-32.8
-0.5	-1.7	-9.1	91.7	67.8	2.1	69.9
			-17.3	-17.3		-17.3
			-91.7	0.0		0.0
				16.4		16.4
				-0.8		-0.8
-0.8	-7.8	-310.9	2.0	3,869.6	11.7	3,881.2
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	0.0		0.0
1.2	-11.5	-351.3	2.7	3,949.7	11.8	3,961.4

Notes

Segment Reporting

in € million	Steel		Trading		Tubes	
	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011
External sales	1,406.8	1,367.0	2,398.4	1,737.3	790.5	903.2
Sales to other segments	620.5	631.4	16.8	52.6	250.1	194.1
Sales to Group companies that cannot be allocated to an operating segment	0.0	0.0	0.0	0.0	0.3	0.8
Segment sales	2,027.4	1,998.4	2,415.2	1,789.9	1,040.9	1,098.1
Interest income (consolidated)	0.2	2.0	2.9	3.5	0.5	0.6
Interest income from other segments	0.0	0.0	0.0	0.0	0.0	0.0
Interest income to Group companies that cannot be allocated to an operating segment	0.1	0.2	0.0	0.9	0.0	0.9
Segment interest income	0.3	2.2	2.9	4.4	0.5	1.4
Interest expenses (consolidated)	7.0	6.8	4.7	3.4	3.8	3.5
Interest expenses to other segments	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses to Group companies that cannot be allocated to an operating segment	36.9	35.2	6.6	3.2	8.0	4.7
Segment interest expenses	43.9	42.0	11.3	6.6	11.9	8.2
of which interest portion of allocations to pension provisions	4.8	4.5	1.7	1.7	3.0	2.9
Depreciation/amortization of tangible and intangible fixed assets	116.6	114.6	5.5	5.2	22.6	21.8
thereof scheduled depreciation of tangible fixed assets and amortization of intangible assets	116.6	114.6	5.5	5.2	22.6	21.8
EBITDA	62.4	184.8	41.5	45.6	42.3	75.3
EBIT	-54.2	70.2	36.0	40.4	19.7	53.4
Earnings before tax (EBT)	-97.8	30.4	27.6	38.2	8.3	46.7
of which from associated companies	0.0	0.2	0.0	0.0	0.5	0.2
Investments in tangible and intangible fixed assets	88.1	122.0	10.5	4.8	23.0	23.8

Services		Technology		Total segments		Other/Consolidation		Group	
H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011
212.2	238.7	548.5	485.7	5,356.5	4,731.9	22.0	41.8	5,378.5	4,773.5
466.0	385.2	0.4	0.4	1,353.8	1,263.7	115.7	50.7	1,469.5	1,314.5
2.6	2.0	0.1	0.2	3.1	3.0	0.0	0.0	3.1	3.1
680.8	625.9	549.0	486.3	6,713.3	5,998.6	137.7	92.4	6,851.1	6,091.1
0.4	0.3	1.2	1.0	5.2	7.3	13.2	9.6	18.4	17.0
0.0	0.0	0.0	0.0	0.0	0.0	50.7	46.9	50.7	46.9
5.8	6.8	0.1	0.2	6.0	8.9	0.0	0.0	6.0	8.9
6.2	7.0	1.4	1.2	11.2	16.3	63.9	56.5	75.1	72.8
6.9	6.9	2.6	4.3	25.0	24.9	40.5	38.9	65.5	63.9
0.0	0.0	0.0	0.0	0.0	0.0	11.5	8.9	11.5	8.9
2.1	1.7	0.5	2.2	54.1	47.0	0.0	0.0	54.1	47.0
9.0	8.6	3.1	6.5	79.1	71.9	52.1	47.8	131.1	119.7
6.7	6.7	1.9	3.3	18.0	19.0	20.2	20.4	38.3	39.3
12.0	11.0	12.5	12.8	169.2	165.5	1.4	0.9	170.6	166.4
12.0	11.0	12.5	12.8	169.2	165.5	1.4	0.9	170.6	166.4
25.1	20.9	16.8	0.4	188.1	327.1	11.7	16.3	199.8	343.4
13.1	9.9	4.3	-12.4	18.9	161.6	10.3	15.4	29.2	176.9
10.2	8.3	2.6	-17.7	-49.0	105.9	31.1	24.1	-17.9	130.0
0.0	0.0	0.0	0.0	0.5	0.4	34.6	46.6	35.1	46.9
20.4	21.3	6.9	8.6	148.9	180.6	0.7	0.1	149.6	180.7

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, 2012, 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, 2011, no changes have been made in the accounting, valuation, calculation and consolidation methods applied to the interim financial statement for the period ended June 30, 2012.
3. The following companies have been fully consolidated for the first time:
 - DESMA Slovakia s.r.o. (KDSL)
 - DESMA Rubber Injection Machinery (Wuxi) Co. Ltd. (DRIM)

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 € -0.46 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 € -0.46.

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
	01/01-30/06/2012	01/01-30/06/2012	30/06/2012	30/06/2012
Hüttenwerke Krupp Mannesmann GmbH, Duisburg	10.2	270.1	5.0	35.9

There is a long-term loan granted to Hüttenwerke Krupp Mannesmann GmbH, Duisburg, in an amount of € 80.0 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, August 2012

The Executive Board of Salzgitter AG



Fuhrmann



Becker



Eging



Groschke



Nonn



Schneider

Financial Calendar 2012

March 5, 2012	Key data for financial year 2011
March 30, 2012	Publication of the consolidated financial statement for 2011 Annual Results Press Conference
April 2, 2012	Analysts' Conference in Frankfurt am Main
April 3, 2012	Analysts' Conference in London
May 15, 2012	Interim Report on the first quarter of the financial year 2012
May 24, 2012	General Meeting of Shareholders in 2012
August 14, 2012	Interim Report on the first half of the financial year 2012 Analysts' Conference in Frankfurt/Main
August 15, 2012	Analysts' Conference in London
November 14, 2012	Interim Report on the first nine months of the financial year 2012
December 31, 2012	End of the financial year 2012

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 companies of the divisions, but rather that the underlying bases of plans and outlooks prove to be accurate as expected in terms of their scope and timing. The company undertakes no obligation to update any forward-looking statements.

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.

Contact:

Salzgitter AG
Eisenhüttenstraße 99
38239 Salzgitter
Germany
Tel.: +49 5341 21-01
Fax: +49 5341 21-2727

Editorial office:

Salzgitter AG
Investor Relations
Tel.: +49 5341 21-3783
Fax: +49 5341 21-2570
E-Mail: ir@salzgitter-ag.de

Postal address:

38223 Salzgitter
Germany

www.salzgitter-ag.de