# Q1

# Interim Report
# 1st Quarter 2013

SALZGITTER AG
Stahl und Technologie

# Contents

# Salzgitter Group Figures

| | | Q1 2013 | Q1 2012 | +/– |
|---|---|---|---|---|
| **Crude steel production[1]** | **kt** | **1,926.3** | **1,916.6** | **9.8** |
| | | | | |
| **External sales** | **€ million** | **2,446.8** | **2,614.8** | **–168.0** |
| Steel Division | € million | 670.5 | 724.8 | –54.3 |
| Trading Division | € million | 993.7 | 1,103.9 | –110.1 |
| Tubes Division | € million | 400.8 | 389.0 | 11.8 |
| Services Division | € million | 101.4 | 108.4 | –7.0 |
| Technology Division | € million | 270.8 | 280.1 | –9.3 |
| Other | € million | 9.5 | 8.6 | 0.9 |
| Export share (%) | 03/31 | 56.8 | 54.7 | 2.1 |
| | | | | |
| **EBITDA [2]** | **€ million** | **98.7** | **88.9** | **9.8** |
| **EBIT[2]** | **€ million** | **11.5** | **4.0** | **7.5** |
| **Earnings before taxes (EBT)** | **€ million** | **–15.8** | **–19.6** | **3.8** |
| Steel Division | € million | –33.7 | –51.6 | 17.9 |
| Trading Division | € million | 10.2 | 11.5 | –1.3 |
| Tubes Division | € million | –12.5 | –9.6 | –2.9 |
| Services Division | € million | 1.7 | 6.2 | –4.4 |
| Technology Division | € million | 3.6 | 2.5 | 1.2 |
| Other/Consolidation | € million | 14.8 | 21.4 | –6.6 |
| **Earnings after taxes** | **€ million** | **–16.6** | **–15.5** | **–1.1** |
| **Basic earnings per share** | **€** | **–0.32** | **–0.31** | **–0.01** |
| **ROCE[3][4]** | **%** | **0.4** | **–0.5** | **0.9** |
| | | | | |
| **Operating cash flow** | **€ million** | **17.5** | **239.3** | **–221.8** |
| **Investments[5]** | **€ million** | **68.4** | **75.2** | **–6.8** |
| **Depreciation and amortization[5]** | **€ million** | **87.2** | **84.9** | **2.3** |
| | | | | |
| **Total assets** | **€ million** | **9,011.4** | **9,210.8** | **–199.4** |
| **Non-current assets** | **€ million** | **3,814.1** | **3,713.3** | **100.8** |
| **Current assets** | **€ million** | **5,197.4** | **5,497.6** | **–300.2** |
| of which inventories | € million | 2,015.1 | 2,096.0 | –80.8 |
| of which cash and cash equivalents | € million | 718.1 | 1,068.7 | –350.7 |
| **Equity** | **€ million** | **3,636.5** | **3,975.2** | **–338.7** |
| **Liabilities** | **€ million** | **5,375.0** | **5,235.7** | **139.3** |
| Non-current liabilities | € million | 3,326.2 | 3,029.1 | 297.2 |
| Current liabilities | € million | 2,048.7 | 2,206.6 | –157.9 |
| of which due to banks[6] | € million | 117.5 | 102.6 | 14.9 |
| **Net position due to banks[7]** | **€ million** | **407.8** | **641.5** | **–233.8** |
| | | | | |
| **Employees** | | | | |
| Personnel expenses | € million | 375.3 | 370.4 | 4.9 |
| Core workforce | 03/31 | 23,340 | 23,334 | 6 |
| Total workforce | 03/31 | 25,411 | 25,260 | 151 |

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

## Low-key start to the financial year – focus on realizing potential within the Group

In the first three months of 2013, the performance of the Salzgitter Group was overshadowed by the persistently unfavorable general economic conditions in Europe. The recovery in the demand for steel at the beginning of the year proved to be short lived; the renewed weakening of selling prices was not compensated by the more hesitant reduction in the cost of raw materials. Capacity utilization in the flat steel and plate businesses as well as the tubes companies in part was however comparatively satisfactory. The Trading Division benefited from the positive position of its international trading, while the Technology Division continued to successfully implement its restructuring measures. Overall, the Group closed the first quarter of 2013 with a pre-tax loss that underscores the significance of the "Salzgitter AG 2015" reorganization program initiated the year before.

## Group

- **External sales**: down by 6% to € 2,446.8 million
- **Earnings before tax:** € –15.8 million.
- **After-tax result:** € –16.6 million
- **Earnings per share** (basic): € –0.32).
- **Net credit balance:** more than € 400 million
- **Equity ratio:** 40.4 %

## Business development of the divisions:

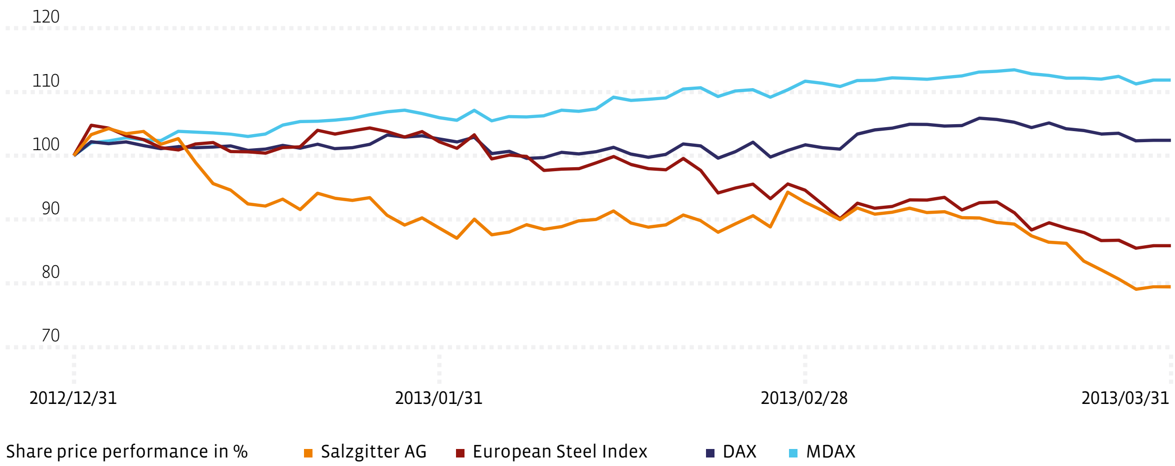
- **Steel:** external sales lower year on year; increase in the pre-tax result due to the lower costs of raw materials, but negative nonetheless owing first and foremost to the unsatisfactory results of Peiner Träger GmbH
- **Trading:** shipments at a stable level on the back of good international trading volumes; external sales 10 % lower; presentable earnings before tax
- **Tubes:** shipments stable, as the higher, but still unsatisfactory volumes of large-diameter pipes compensated for lower shipments of HFI-welded and precision tubes; external sales at year-earlier level; negative pre-tax result against the backdrop of unsatisfactory order book and capacity utilization especially in the precision tubes segment, compounded by pressure partly exerted on selling prices
- **Services:** external sales marginally fell short of previous year's level; decline in pre-tax profit chiefly due to lower profit contribution of DEUMU Deutsche Erz- und Metall-Union GmbH
- **Technology:** KHS Group benefits from higher capacity utilization and stable sales margins in the project business, as well as success of the "Fit4Future" program; external sales around year-earlier level; gratifying pre-tax result
- **Other/Consolidation:** increase in external sales; pre-tax profit includes € 5.8 million in after-tax contribution from Aurubis AG, a participation included at equity.

**Guidance for the financial year 2013:** We now anticipate stable sales and a negative pre-tax result in the mid-double-digit million euro range. Additional special effects may still arise as a consequence of implementing the "Salzgitter AG 2015" Group project.

# Investor Relations

## Capital Market and Price Performance of the Salzgitter Share

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




Sources: XETRA closing price Deutsche Börse AG, Datastream STEELEU

Despite the persistently tense macroeconomic situation in Europe, the trend on the **stock market** environment was predominantly friendly in the first three months of 2013. Against the backdrop of uncertainty about the economic outlook, the indices initially moved sideways continuously through to February before entering an uptrend. By mid-March, the DAX had exceeded the 8,000 point threshold again for the first time since 2007. Since government and corporate bonds are not generating satisfactory returns due to the extremely low interest rate level, this would suggest a dearth of investment options for financial investors. Profit taking set in toward the end of the reporting period, also prompted by the threat of Cyprus' sovereign default. All in all, the DAX climbed by 2% in the first quarter of 2013; the MDAX rose by 12%.

The persistently high level of political and macroeconomic uncertainty once again impacted the price performance of the **Salzgitter share**. Starting from € 39.43, which was the price at year-end 2012, the share had already risen by January 3 to a temporary high for the year at € 41.56. Before the end of the first half of January, the modest outlook for the steel market in Europe triggered a consolidation. More news at the start of March about the ongoing difficulties prevailing in Europe's steel industry resulted in an unabated downtrend in the industry's evaluation from which our share was not able to decouple. The share price fell accordingly, by 21 % in the first quarter.

In current **analyst coverage** conducted by 17 banks, the Salzgitter share has been assessed with the following recommendations (as per March 31, 2013): 3 buy/outperform, 8 hold/market perform, 6 sell/underperform.

The **average daily turnover** of the Salzgitter share on German stock exchanges amounted to around 363,000 units a day as per March 31. Salzgitter AG therefore took eighth place measured by turnover and held 27th place in terms of free float market capitalization in the MDAX ranking of Deutsche Börse AG as of March 28, 2013.

As part of our **capital market communication**, we participated in investor conferences in Frankfurt, London and New York in the period under review. Investors and analysts took advantage of the offer of visiting our plants in Salzgitter and Mülheim an der Ruhr and of informing themselves about our company in discussions with company representatives. At 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 per March 31, 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. With this in mind, the Executive Board and the Supervisory Board will put forward a proposal to the Annual General Meeting of Shareholders on May 23, 2013, to pay dividend of € 0.25 per share for the financial year 2012.

## Information for investors

| | | Q1 2013 | Q1 2012 |
|---|---|---|---|
| Nominal capital as of 03/31/ | € million | 161.6 | 161.6 |
| Number of shares as of 03/31 | million | 60.1 | 60.1 |
| Number of shares outstanding as of 03/31 | million | 54.1 | 54.1 |
| Market capitalization as of 03/31/[1][2] | € million | 1,694 | 2,223 |
| **Closing price as of 03/31/[1]** | **€** | **31.32** | **41.10** |
| High 01/01 – 03/31[1] | € | 41.56 | 48.95 |
| Low 01/01/ – 03/31/[1] | € | 30.54 | 38.60 |
| Security identification number | 620200 | | |
| ISIN | DE0006202005 | | |

[1] All data relate on prices in 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 Positon and Net Worth

## Economic environment

The **global economic** recovery gradually picked up momentum in the first quarter of 2013. Both global output and world trade reported an accelerated upswing in comparison with a year ago. The emerging markets remain the principle drivers of this economic development, though their growth rates were more moderate compared with the strong expansion achieved in recent years. By contrast, efforts to consolidate national budgets in many industrial nations had a braking effect. All in all, according to its most recent forecast the International Monetary Fund (IMF) expects the global economy to grow by 3.3% in the current year.

The **eurozone** is not emerging from the recession. In the period under review, there was virtually no discernible stabilization in the situation. Although confidence in the viability of the common currency has grown somewhat since last year, the sudden threat of Cyprus' insolvency and Italy's difficulties in forming a government following the parliamentary election at the end February fanned the still deep-seated uncertainty. Accordingly, private consumption was slow to pick up pace; capital expenditure even continued to contract. The IMF anticipates an improvement in the euro area's economy in 2013 but, at –0.3%, nonetheless assumes a recessionary trend.

By contrast, **Germany's economic** development was moving forward again in the first quarter of 2013. The sentiment in industry has improved since the fall of 2012, not least due to the easing of the situation on the financial markets. This upturn has not yet been reflected to any great extent in improvements in new orders or industrial production. The long winter is likely to have been a contributing factor, especially in the construction sector. Assessments of the prospects in 2013 as a whole differ at present: Whereas the IMF puts economic growth at 0.6%, which is lower than in 2012, the leading German economic research institutes forecast a slight year-on-year increase in the growth rate to 0.8% in their joint diagnosis in mid-April.

| | | Q1 2013 | Q1 2012 |
|---|---|---|---|
| Crude steel production[1] | kt | 1,926.3 | 1,916.6 |
| **External sales** | **€ million** | **2,446.8** | **2,614.8** |
| EBIT before depreciation and amortization (EBITDA)[2] | € million | 98.7 | 88.9 |
| EBIT[2] | € million | 11.5 | 4.0 |
| **Earnings before taxes (EBT)** | **€ million** | **– 15.8** | **– 19.6** |
| **Earnings after taxes** | **€ million** | **– 16.6** | **– 15.5** |
| **ROCE[3)4]** | **%** | **0.4** | **– 0.5** |
| Investments[5] | € million | 68.4 | 75.2 |
| Depreciation and amortization[5] | € million | 87.2 | 84.9 |
| Operating cash flow | € million | 17.5 | 239.3 |
| **Net position due to banks[6]** | **€ million** | **407.8** | **641.5** |
| Equity ratio | % | 40.4 | 43.2 |

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2) EBIT = EBT + interest expenses/–interest income; EBITDA = EBIT + depreciation and amortization
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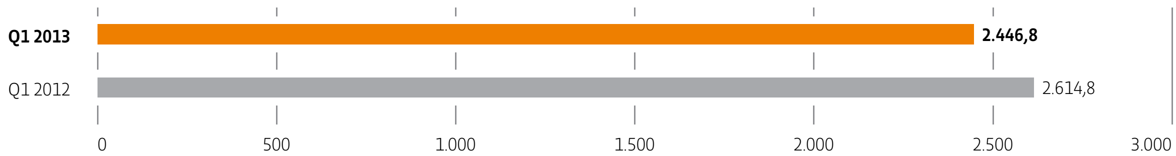
4) Annualized
5) Excluding financial investments
6) Including investments, e.g. securities and structured investments

## Earning Situation within the Group

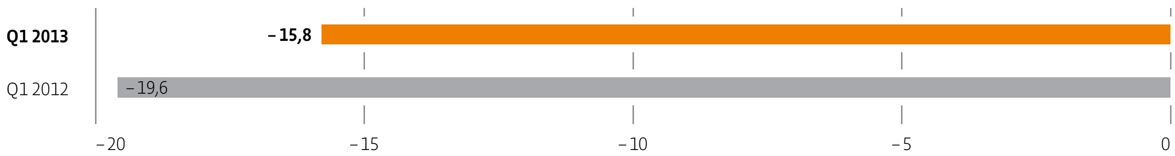
In the first three months of 2013, the performance of the Salzgitter Group was overshadowed by persistently unfavorable general economic conditions in Europe. The recovery in the demand for steel at the beginning of the year proved to be short lived; a renewed weakening of selling prices was not compensated by the more hesitant reduction in the cost of raw materials. Capacity utilization in the flat steel and plate businesses, as well as the tubes companies in part was however comparatively satisfactory. The Trading Division benefited from the positive position of its international trading, while the Technology Division continued to successfully implement its restructuring measures. Overall, the Group closed the first quarter of 2013 with a pre-tax loss that underscores the significance of the "Salzgitter AG 2015" reorganization program initiated the year before. An equity ratio of 40.4 % and a net financial position of more than € 400 million continue to form a sound financial basis for mastering the current challenges.

### External sales




in € m

EBT




in € m

**Consolidated external sales** declined to € 2,446.8 million, down € 168 million, mainly due to selling prices (first quarter of 2012: € 2,614.6 million). Earnings before interest, tax, depreciation and amortization (EBITDA) stood at € 98.7 million (first quarter of 2012: € 88.9 million), and the **pre-tax result** came in at € –15.8 million (first quarter of 2012: € -19.6 million). This figure includes an amount of € 5.8 million in after-tax profit from Aurubis AG (NAAG) (first quarter of 2012: € 28.0 million), a participation included at equity. The **result after tax** posted € –16.6 million (first quarter of 2012: € –15.5 million), the equivalent of € –0.32 per share (basic, first quarter of 2012: € –0.31). Return on capital employed (ROCE) stood at 0.4 % (first quarter 2012: –0.5 %).

## Steel Division

| | | Q1 2013 | Q1 2012 |
|---|---|---|---|
| Order intake | kt | 1,388.1 | 1,558.1 |
| Order backlog as of 03/31 | kt | 1,165.2 | 1,173.5 |
| Crude steel production | kt | 1,533.0 | 1,496.6 |
| LD steel (SZFG) | kt | 1,152.7 | 1,116.7 |
| Electric steel (PTG) | kt | 380.4 | 379.9 |
| Rolled steel production | kt | 1,498.1 | 1,449.6 |
| Shipments | kt | 1,521.7 | 1,462.0 |
| **Segment sales[1)]** | **€ million** | **1,013.2** | **1,034.9** |
| **External sales** | **€ million** | **670.5** | **724.8** |
| **Earnings before taxes (EBT)** | **€ million** | **–33.7** | **–51.6** |

[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 increasingly sophisticated application scenarios.

### Shipments and procurement market

Momentum in the **global steel market** remained generally downbeat in the first three months of 2013. Given the lack of clarity as to the new government of China's priorities in its economic policies, growth in domestic demand for steel and production was moderate. The USA's economic recovery has so far proven to be stable, despite higher taxation and budget curtailment. Nonetheless, the global output of crude steel as of March fell marginally short of the level achieved a year ago. Developments in most other regions stagnated.

The **European steel market** was still in an imbalance of supply and demand in the period under review. In response to the exceptionally weak closing quarter of 2012, a moderate technical counter movement, reflected in a slight improvement in new orders and revenues, set in in the first quarter of 2013 owing to the inventory cycle. Above all in the countries of southern Europe, there is, however, still a pronounced shortfall in the capacity utilization of local manufacturers.. Market supply in Spain, for instance, has meanwhile fallen below the 2009 level, while it is slightly above this level in Italy. Under these circumstances, the European market remains fairly unattractive for imports from countries outside the EU.

As opposed to the majority of European countries, **Germany's steel market** is comparatively robust. Although the market supply contracted towards the end of the year in response to weaker demand from many customer sectors typical of the season, a trend compounded by the distribution sector's aggressive destocking, these effects were largely compensated by export opportunities. January saw an upturn in new orders and orders on hand, while the selling price level rose slightly. This tendency originated mainly in inventory replenishing, with virtually no stimulus stemming from the majority of steel processors. Production in the automotive and mechanical engineering sectors fell in the first quarter, while the construction industry suffered from the long winter.

## Sharp increase in the spot prices of iron ore in the first quarter of 2013

Different price models with different reference periods were established on the global market for **iron ore** in 2012. The spot market price trend in China is mostly the determining parameter. Following a thorough slump in the spot prices of iron ore in the third quarter of 2012, the start of the fourth quarter saw a strong countermovement. The trend firmed up in the first few months of the reporting period. Low inventories in the ports and production in China running at a consistently high rate pushed prices up in the final ten days of February to 160 USD/dmt, a level last recorded in October 2011. Under the "old" VALE model, when pricing was based on the spot quotations of the previous quarter minus one month, the resulting price came to 91.06 USD/dmt for the first quarter of 2013, the lowest figure since the introduction of quarterly contracts three years ago. Based on the spot prices from December 2012 to February 2013, the price of 125.58 USD/dmt applies to the following period (all prices FOB Brazil).

## Stabilization of the coking coal market

As opposed to the index-led pricing on the iron ore market, benchmark contracts for **coking coal** are concluded on a quarterly basis, as before. The price level is negotiated between the large producers and customers. Following renewed flooding in Australia's Queensland and strikes lasting several weeks in a number of Australian mines, the situation on the coking coal market has eased considerably since the summer months in 2012. The prices of high quality coking coal declined perceptibly, falling from 170 USD/t in the fourth quarter to 165 USD/t in the first three months of 2013. The coking coal market thus recorded its lowest price level since the introduction of quarterly pricing in 2010. In the second quarter of 2013, 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 does not have a compelling benchmark function for the world market.

## Price fluctuations in metals and ferro-alloys

The situation on the **international metal and alloy markets** varied widely: Whereas the price of manganese-based bulk alloys tended to move sideways in the first quarter of 2013, prices displayed extreme volatility in the case of listed materials such as zinc, nickel, copper and aluminum. Prices fell steeply in October 2012, only to rise again by the end of November, and, in the first three months of 2013, were quoted around 5 % above the average in the fourth quarter of 2012.

## Steel scrap market subject to uncertainty

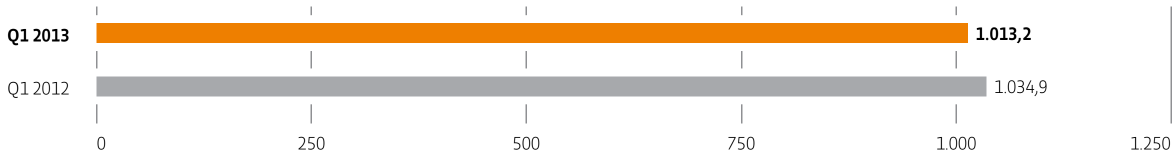
As prices on the German **steel scrap market** proved to be virtually stable at the start of the year, buoyed by relatively sound demand, German steelworks cut their procurement prices in February by 10 €/t to € 25/t. These markdowns were ultimately implementable because of the downturn in production volumes, as well as the lack of export opportunities owing to the unfavorable euro exchange rate. At the end of the quarter, the steel scrap market was determined by pronounced uncertainty. Declining capacity utilization of individual steel works – bringing production to a halt on a weekly, daily or gradual basis – prevented scrap trading from keeping sales at a consistently high level. The price level in

Germany remained generally relatively unchanged, however, as the cold period in March led to slow deliveries of scrap metal to the warehouses of traders and to processing plants.

## Against this backdrop the Steel Division developed as follows:

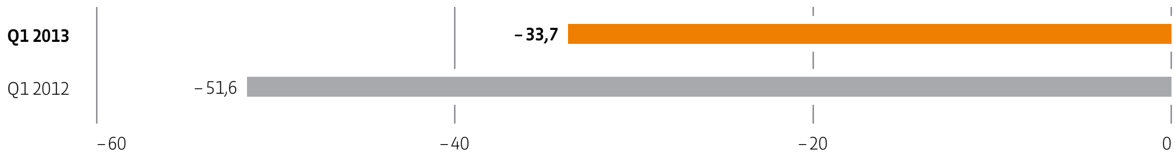
With the exception of HSP Hoesch Spundwand und Profil GmbH (HSP), the **order intake** of the steel companies fell in comparison with the previous year's period. **Orders on hand** matched the year-earlier tonnage, while **crude steel production** as well as **rolled steel production** and **shipments** were slightly higher year on year. **Segment** and **external sales** fell short from the level posted in the first quarter of 2012. Lower raw materials costs in comparison with the unfavorable situation of the year before contributed to lifting the **pre-tax result** that nonetheless remained clearly negative at € –33.7 million (first quarter of 2012: € –51.6 million). This is primarily attributable to the unsatisfactory performance of Peiner Träger GmbH (PTG).

Sales




in € m

EBT




in € m

## More detailed explanations on the individual companies

Given the low inventory levels of the distribution sector at year-end 2012, the **flat steel market** initially underwent a moderate technical recovery in the first quarter of 2013. New orders received by European manufacturers recovered momentum at the start of the year, which then ebbed in the following months. Inventory turnover of flat products fell short of the year-earlier figure in the period under review. Against this backdrop, cold rolled products were somewhat more affected than the hot flat segment.

Thanks to largely sound demand for its products, **Salzgitter Flachstahl GmbH** (SZFG) almost repeated the good order intake of the previous year's period, with a slight increase in the order book. Despite greater crude steel output and shipment volumes, sales were lower compared with the figure posted in the first quarter of 2012, pressured by selling prices. Irrespective of the considerable easing in raw material costs tumbling selling prices led to a negative pre-tax result that was nonetheless better than the year-earlier figure.

The stabilization of the **plate market** observed at the beginning of 2013 failed to hold steady due to the capacity utilization problems European plate mills experienced. Along with the extremely cautious approach of most consumers to managing their inventories, this was caused by problems arising in the international line pipe business. Capacity utilization shortfalls in Europe's steel mills led to fierce price wars, particularly in the bulk steel business. This development also had an impact on imports that continued to remain at a comparatively low level.

Against this background, new orders and orders on hand of **Ilsenburger Grobblech GmbH** (ILG) did not quite repeat the year-earlier figures. Although the wind power sector reported higher volumes, inquiries from the other customer sectors remained at a somewhat lower level. Shipment volumes rose slightly. Sales fell marginally short of the first quarter of 2012. ILG generated at pre-tax profit that was higher compared with the year ago.

The capacity utilization of all **steel beam producers** was extremely weak at the beginning of the year. On the one hand, the stockholding steel trade had already covered its requirements by the end of 2012 in response to the price increases announced and, on the other, many investors held back on projects due to uncertainty about the economic development. Furthermore, the protracted cold winter weather also hampered an upturn in business, resulting in a veritable slump in demand in February and putting considerable pressure on prices. The unfavorable euro exchange rate prevented exports from generating a compensating effect.

In this environment, order intake and orders on hand, as well as the rolled steel production, shipments and sales of **Peiner Träger GmbH** (PTG) fell partly notably below the figures achieved in the previous year. Although crude steel output matched the tonnage of the first three months of 2012, the circumstances described above necessitated temporary downtime at both electric arc furnaces. Unsatisfactory margins resulted in PTG delivering a pre-tax loss that was higher in a year-on-year comparison. The main challenge is still constituted by eliminating cost disadvantages against some competitions. To this end, the streamlining program initiated back in 2009 was supplemented by additional measures.

The **sheet piling market** is extremely dependent on public-sector investment where spending policies are determined by cuts to contain the financial crisis. Projects for new measures and expanding the waterway engineering infrastructure and flood protection have therefore been shelved. Demand stimulus for sheet piling is still emanating from eastern Europe and non-European regions.

Starting from a low level, **HSP Hoesch Spundwand und Profil GmbH** (HSP) reported significant increases in order intake and orders on hand compared with the first three quarters of 2012, boosted by an improved market environment, which had a positive impact both on production efficiency and volume. The increase in shipments was accompanied by sales growth. With selling prices remaining unsatisfactory, HSP delivered a loss that was, however, lower than in the previous year's period.

Competitive pressure from Germany's neighboring countries back in 2012 was still being exerted at the start of 2013. In addition, numerous projects were postponed due to the weather conditions. Against this backdrop, the shipments and sales of **Salzgitter Bauelemente GmbH** (SZBE) fell below the year-earlier figures. In conjunction with contracting margins, the result before tax was marginally negative.

In the first three months of 2013, vehicle registrations in Germany declined notably in comparison with the first quarter of 2012. The slump in demand in the neighboring countries in western and southern Europe appears to be affecting the German market now. As a result, shipments, sales and the pre-tax result of **Salzgitter Europlatinen GmbH** (SZEP) fell short of the year-earlier figures.

## Trading Division

| | | Q1 2013 | Q1 2012 |
|---|---|---|---|
| Shipments | kt | 1,437.1 | 1,460.3 |
| **Segment sales**[1)] | **€ million** | **1,008.0** | **1,109.9** |
| **External sales** | **€ million** | **993.7** | **1,103.9** |
| **Earnings before taxes (EBT)** | **€ million** | **10.2** | **11.5** |

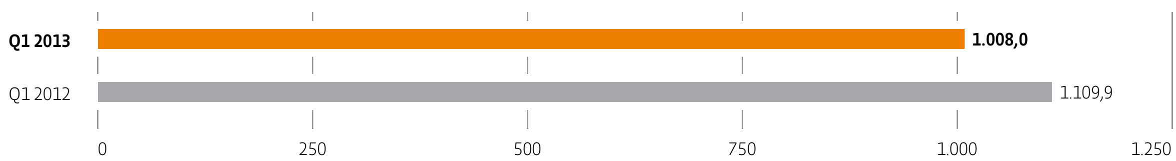
1) Including sales with other divisions in the Group

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 there was some positive stimulus in the international steel markets in the first quarter of 2013, impetus emanated mainly from North America and regions in the Far East. Nonetheless demand remained lackluster overall, accompanied by prices declining across almost all product segments over the course of the quarter. Europe's demand for steel was also only moderate. Demand in Germany, albeit comparatively stable, remained below the previous year's level. Especially in the sections segment, requirements of the construction industry remained at a low level due to seasonal influences and weather conditions. Following an initial uptrend in the market, prices for rolled steel products dropped slightly at the end of the quarter.

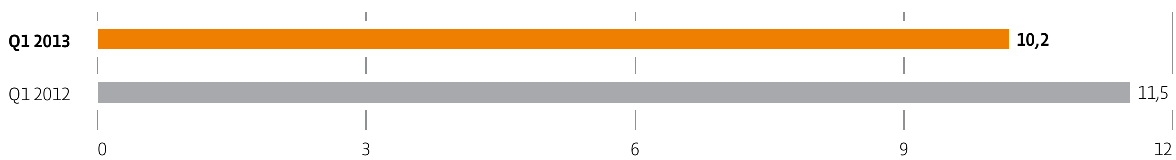
Thanks to the very good shipment volumes of international trading, the Trading Division's **shipments** remained at the level of the year-earlier quarter. **Segment and external sales** did not, however, repeat the figures posted a year ago owing to the lower price level. With a **pre-tax profit** of € 10.2 million, the segment generated a presentable result that compares with the previous year's period (first quarter of 2012: € 11.5 million).

Sales




in € m

EBT




in € m

The **Salzgitter Mannesmann Handel Group** (SMHD Group) reported satisfactory business activities in the first three months of 2013. While the stockholding business remained restrained, international trading was successful in marginally improving on the very good shipment volumes from the year before. Lower average prices, however, were reflected in a slight downturn in sales. The weaker stockholding business was not fully compensated by trading's positive performance, which resulted in a pre-tax profit that was lower in a year-on-year comparison.

Shipments and sales of the **stockholding steel trade** fell short of the 2012 figures as, with the exception of business in Hungary, all other companies reported declines. Consequently, despite the windfall effect achievable in part in the first quarter of 2013, the year-earlier pre-tax result was not achieved.

**International trading** lifted shipment volumes compared with a year ago. This development was mainly attributable to hot-rolled flat deliveries to the Far East and North America, as well as stable business running at a high level in Africa. All in all, sales were in decline owing to lower prices. Boosted by high-margin individual transactions, the result before tax nonetheless exceeded the figure achieved in the first quarter of 2012.

The **Universal Eisen und Stahl Group** (UES Group) was confronted by patchy demand on the plate market. The German company benefited from higher deliveries to shipyards, as well as from robust sales to the mechanical engineering sector. The performance of the US subsidiaries was weaker than the year before. Overall shipment tonnage was up slightly, as opposed to sales that fell short of their year-earlier level, pressured by lower prices. Thanks to an optimized cost situation, and owing to dividend yield from non-consolidated subsidiaries, earnings before tax were nonetheless above the result achieved in the first quarter of 2012.

In the period under review, shipments of the steel service center **Hövelmann & Lueg GmbH** (HLG) remained virtually unchanged from the first three months of 2012. Fiercer price-led competition and competitive pressure due primarily to surplus capacities brought sales and earnings before tax down below the previous year's figures.

## Tubes Division

| | | Q1 2013 | Q1 2012 |
|---|---|---|---|
| Order intake | € million | 377.1 | 750.9 |
| Order backlog as of 03/31 | € million | 769.7 | 1,209.6 |
| **Segment sales[1)]** | **€ million** | **485.6** | **476.7** |
| **External sales** | **€ million** | **400.8** | **389.0** |
| **Earnings before taxes (EBT)** | **€ million** | **–12.5** | **–9.6** |

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

The **Tubes Division** comprises numerous subsidiaries and associated companies that 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.

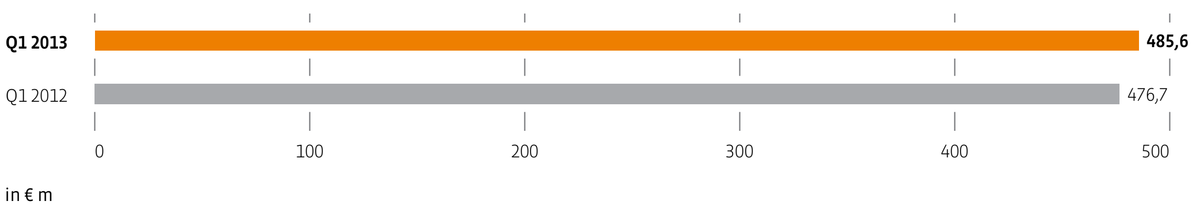
The development of global steel tubes market was initially weaker than expected in the first quarter of 2013. For instance, the energy sector for oilfield pipes from North America reported a downtrend in demand. The European automotive market contracted sharply although production of the export-oriented German premium manufacturers was less impacted. The machinery and plant engineering sectors was also able to compensate for the ailing EU market through business in countries outside the euro area.

The Tubes Division experienced a difficult start to the year: **New orders** made up only half of the year-earlier figure that, however, included the major order for the Australian Ichthys natural gas pipeline placed with EUROPIPE GmbH (EP). HFI-welded pipes and stainless steel tubes also fell short of the good level achieved in the first three months of 2012, as opposed to rising order intake for precision tubes. All in all, the value of **orders on hand** was significantly lower than on the previous year's reporting date, chiefly owing to the considerable downturn in the large-diameter pipes segment.

**Shipments** remained at the level of the year-earlier period, The lower shipments of HFI-welded and precision tubes were compensated by large-diameter pipes, the volume of which was still unsatisfactory, though higher than a year ago. The division's **segment and external sales** were stable.

Against the backdrop of an unsatisfactory order book and capacity utilization, particularly in the precision tubes segment, compounded by pressure partly exerted on selling prices, the division delivered a **pre-tax loss** of € –12.5 million (first quarter of 2012: € –9.6 million). With the exception of stainless steel tubes that developed well following on from the year before, all product segments reported negative results.

Sales



EBT


in € m

## Business development of the product segments:

Given the lack of major projects, order intake in the **large-diameter pipes** segment in the first quarter of 2013 fell markedly short of the previous year's figure that was determined by the Australian contract. Orders on hand fell significantly as a result. By contrast, shipments and sales were clearly higher than the year-earlier extremely weak figures that were impacted by a severe shortfall in the volume. The unsatisfactory capacity utilization at the European pipe mills of EP Group – Dunkirk in particular – and at Salzgitter Mannesmann Grobblech (MGB), coupled with the insufficient selling prices for orders placed by external parties with MGB, caused the large-diameter pipes segment to deliver a pre-tax loss.

Whereas larger contracts were acquired in the **HFI-welded pipes** segment in international project business, standard business was characterized by reticent demand. Order intake and orders on hand were therefore notably below the previous year's level. Shipments and sales fell substantially short of the first three months of 2012 due to the production of significant project volumes that will only be delivered from the second quarter onward. Consequently, the segment posted a marginally negative pre-tax result.

The precision tubes market, that was still suffering from marked reluctance to purchase at the end of the financial year elapsed, staged a discernible recovery at the start of the year in Germany in particular, boosted chiefly by demand from premium manufacturers in the automotive market. Compared to the previous year's low level, new orders placed in the **precision tubes segment** rose slightly. Orders on hand fell short of the year-earlier period due to selling prices. The still unsatisfactory capacity utilization necessitated short-time work in a number of plants in the first quarter of 2013 as well. Shipments and sales fell below the year-earlier figures. All the companies of the Salzgitter Mannesmann Precision Group (SMP Group) reported negative pre-tax results, but especially the weaker capacity utilization of the German subsidiary led to a significantly higher pre-tax loss in a year-on-year comparison. The French subsidiary's performance remained unsatisfactory. In 2013, the process and organization structures of the precision tubes group are to be streamlined further under the "Salzgitter AG 2015" program.

The market development in the **seamless stainless steel tubes** business has slowed. The Salzgitter Mannesmann Stainless Tubes Group (MST Group) nonetheless recorded a stable order intake that was, however, below the extraordinarily strong year-earlier quarter. Orders on hand were also lower. Shipments were up slightly on the previous year's figures. However, sales were marginally in decline owing to a change in the product mix. Improved margins, in conjunction with the slight increase in volumes, lifted pre-tax profit above the year-earlier figure.

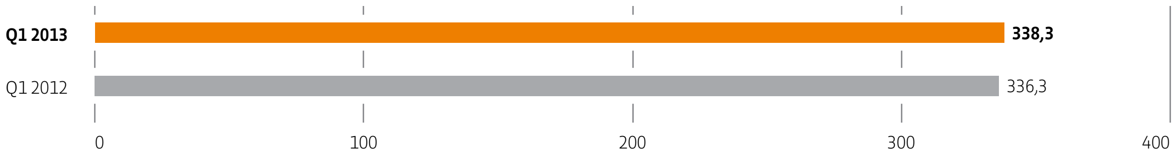
## Services Division

| | | Q1 2013 | Q1 2012 |
|---|---|---|---|
| Segment sales[1)] | € million | 338.3 | 336.3 |
| External sales | € million | 101.4 | 108.4 |
| Earnings before taxes (EBT) | € million | 1.7 | 6.2 |

1) Including sales with other divisions in the Group

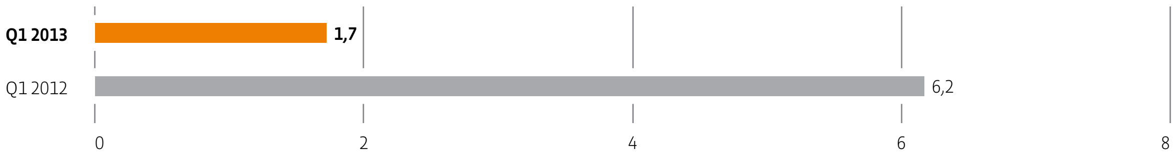
The **Services Division** comprises a number of service companies that are mainly aligned to the requirements of the Group itself, but are equally successful in providing services to external customers as well. The services offerings include the supply of raw materials, logistics, IT, personnel, research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

Sales




in € m

EBT




in € m

The **segment sales** of the Services Division, determined mainly by the activities of the steel producing companies, came in at € 338.3 million, thereby repeating the good level achieved a year ago. Owing to the Group's greater need for steel scrap, Deutsche Erz- und Metall-Union GmbH (DMU) generated a slight increase in sales compared with the first quarter of 2012. Verkehrsbetriebe Peine-Salzgitter GmbH (VPS) and Glückauf Immobilien GmbH (GIG) also lifted sales, whereas the other companies reported slight declines. The division's **external sales** amounted to € 101.4 million, falling marginally short of the year-earlier level.

The Services Division delivered a **pre-tax result** of € 1.7 million, which is lower than a year ago. The main determining factor, among others, was the unsatisfactory result of DMU due to lower shipment volumes, accompanied by contracting margins, and a downturn in the result of Hansaport Hafenbetriebsgesellschaft mbH (HAN). Conversely, SZST Salzgitter Service und Technik GmbH (SZST) and Salzgitter Automotive Engineering GmbH & Co. KG (SZAE) reported improved results, with SZAE raising the pre-tax result on the back of good capacity utilization, although not quite achieving a turnaround.

## Technology Division

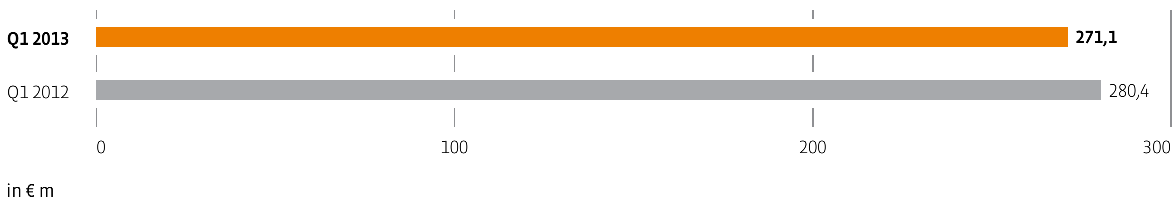
| | | Q1 2013 | Q1 2012 |
|---|---|---|---|
| Order intake | € million | 322.8 | 287.4 |
| Order backlog as of 03/31 | € million | 542.7 | 439.4 |
| **Segment sales[1)]** | **€ million** | **271.1** | **280.4** |
| **External sales** | **€ million** | **270.8** | **280.1** |
| **Earnings before taxes (EBT)** | **€ million** | **3.6** | **2.5** |

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

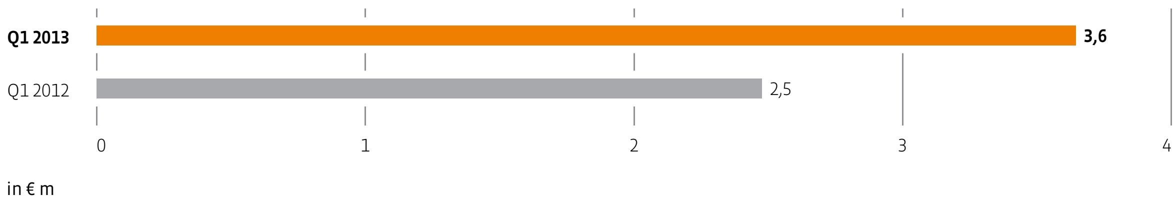
The **Technology Division** of Salzgitter AG comprises internationally operating mechanical engineering companies. KHS GmbH (KHSDE), a company which holds a leading international position in filling and packaging technology, represents the mainstay of sales. The KHS Group is a full-line supplier, from 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 provided by the German Engineering Federation, the sector's order intake had declined marginally (–2%) in the first quarter of 2013, which was attributable to domestic business as international business remained steady. The food and packaging machinery sector was also weaker (–5%). Low growth of the sector's domestic business was unable to compensate for the decline in export business.

### Sales




### EBT



The **order intake** of the Technology Division outstripped the already high level of the first three months of 2012. The KHS Group achieved the strongest growth and performed better as the food and packaging machinery sector all in all. This success is mainly due to the acquisition of several outstanding major projects for various filling lines, enabling the KHS Group to win additional market shares. **Orders on hand** totaled € 542.7 million and were thus significantly higher than a year ago.

**Segment and external sales** declined slightly compared with a year ago. This was caused mainly by the cancellation of one order for the KHS Group. Whereas the KDE Group sustained a downturn in sales, Klöckner DESMA Schuhmaschinen GmbH (KDS) repeated the previous year's level.

The Technology Division generated € 3.6 million in the first quarter of 2013, which is a satisfactory **pre-tax result** above the year-earlier figure. Along with high capacity utilization, this performance reflects stable sales margins in the project business at the KHS Group and the ongoing success of the “Fit4Future” program launched at the end of 2011. By contrast, the KDE Group reported a decline in its result; KDS remained at the previous year's level.

The KHS Group stringently pursued its streamlining measures 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 as well as standardizing the global product program.

## Other/Consolidation

| | | Q1 2013 | Q1 2012 |
|---|---|---|---|
| **Sales[1)]** | **€ million** | **137.8** | **81.8** |
| **External sales** | **€ million** | **9.5** | **8.6** |
| **Earnings before taxes (EBT)** | **€ million** | **14.8** | **21.4** |

[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/Consolidation segment, which are generated mainly by business in semi-finished products with subsidiaries and external parties, climbed to € 137.8 million on the back of intra-group deliveries during the reporting period (previous year: € 81.8 million). **External sales** advanced slightly to € 9.5 million (previous year: € 8.6 million).

**Earnings before tax** stood at € 14.8 million, which is lower compared with a year ago (€ 21.4 million). The result includes € 5.8 million in after-tax profit (previous year: € 28.0 million) from Aurubis AG (NAAG), a participation included at equity, and positive effects from the valuation of financial instruments.

# Explanations on the Financial Position and Net Worth

## Explanations on the balance sheet

The **total assets** of the Salzgitter Group remained virtually unchanged in the current reporting period compared with December 31, 2012 (€ +82 million). Investments were approximately € 19 million below depreciation and amortization of property, plant and equipment and intangible assets.

The rise in **current assets** (€ +60 million) is attributable to the reporting date-induced increase in trade receivables (€ +205 million) and growth in other assets (€ +49 million). A countereffect emanated from the reduction in inventories (€ –53 million) and in cash and cash equivalents (€ –161 million).

On the **liabilities side**, higher prepayments from the project business resulted in an increase in current liabilities (€ +102 million). The equity ratio stood at 40.4 %, thereby continuing to form a sound basis.

The **net credit balance** had decreased to € 408 million by the end of the reporting period (December 31, 2012: € 497 million). Investments worth € 1,117 million, including securities, were offset by liabilities of € 709 million (December 31, 2012: € 714 million), of which € 118 million were owed to banks and € 592 million were obligations attached to convertible and exchangeable bonds.

## Explanations on the cash flow statement

Despite the negative result before tax (€ –16 million), the **cash flow from operating activities** that was positive (€ +18 million) had nonetheless fallen below the previous year's quarter (€ +239 million) as this figure included extremely high prepayments for projects.

The **cash outflow from investment activities** (€ –174 million) was especially attributable to disbursements for capital expenditure in property, plant and equipment (€ –67 million) and for financial assets (€ –41 million), which were marginally below the year-earlier period (€ –117 million). In addition, investments of funds amounting to € 70 million were made.

The redemption of loans (€ –2 million) and interest payments (€ –3 million) constituted a **cash outflow from financing activities** of € 5 million.

**Cash and cash equivalents** fell by € 161 million compared with December 31, 2012.

# Investments

In the first three months of the financial year 2013, **investments in property, plant and equipment and intangible assets** of € 68.4 million remained below the previous year's period (€ 75.2 million). By contrast, depreciation and amortization (€ 87.2 million) were higher than the year-earlier figure (€ 84.9 million) and also exceeded the capital expenditure of the period under review.

The investment activities of **Salzgitter Flachstahl GmbH** (SZFG) in 2013 focused on optimizing existing facilities to secure availability and on environmental protection measures. To this end, the following projects were advanced in the first quarter:

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 installation of the machinery has been largely completed and function tests are up and running. Connection with the tandem mill has been scheduled for the fourth quarter.

As part of the **"Belt Casting Technology"** project at the Peine and Salzgitter sites, facilities for producing innovative steel materials with special properties while conserving resources are being built. They are currently being taken into operation and gradually ramped up to the output envisaged.

Manufacturing the components for the **"Converter A Renewal"** project has commenced. The preparations for conversion in the third quarter are proceeding according to plan. The measure entails enlarging the vessel by around 50 m³ and improving the drive concept. The aim is to optimize output volumes in connection with lower operating costs.

The start of 2012 saw the parallel operation of the two furnaces of **Peiner Träger GmbH** (PTG) commence. All activities in the steel works are currently geared to stabilizing processes further while reducing operating costs at the same time.
In addition, the replacement investments necessary to keep operations running smoothly were made in the period under review.

The "ILG 2015" investment project of **Ilsenburger Grobblech GmbH** (ILG), aimed at raising the volume of thick slabs (350 mm thick input material), is currently being implemented to schedule.

The **Trading Division is** concentrating its investments mainly on measures to modernize existing facilities and on making new acquisitions in the financial year 2013. In addition, construction work began on the new 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 is due in 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), for instance, the cross cut shear and all auxiliary units were installed and commissioned, as planned. Trial operation commenced in April 2013 in accordance with plans for the ramping up phase.

Services Division: Of the total of 40 locomotives **VPS Verkehrsbetriebe-Peine-Salzgitter GmbH** (VPS) had ordered, another eight are on the way in 2013. Four of them had already arrived before the end of the first quarter.

The investment activities of the **Technology Division** are channeled into replacement and streamlining measures geared to promoting the sustainable competitiveness of the **KHS Group** in 2013. IT projects in Germany and in 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 launched in 2012. This measure is aimed at enabling an even more efficient tendering of quotations and processing of orders, based in future on highly standardized products and processes. Implementation is being carried out in close coordination with the Customer Relationship Management (CRM) system.

**KHS Corpoplast GmbH** (BEVCP) completed the construction work on a new building to accommodate an extended assembly surface area in February 2013. Expanding the stretch blow machine business as part of KHS' "Fit4Future" program is an important strategic cornerstone in PET technology.

# Research and Development

**Salzgitter Mannesmann Forschung GmbH** (SZMF) is the central research unit of the Steel and Tubes divisions. The R&D activities concentrate on material 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. No significant changes have been planned in the number of employees this year either.

## Spot on laser

SZMF has taken a high-performance welding laser at the end of 2012 into operation. The test facility, that features process-integrated, inductive heat treatment, is positioned in the high-end segment with a laser output power of 16 kilowatts (kW) and replaces an old 3 kW system. The facility is capable of securely welding plates in thicknesses of up to 18 mm, enabling this welding technology to be used for the first time on flat steel as well as pipes and tubes in the aforementioned thickness range.

## New materials model cuts costs and development times in tubes production

In order to steadily improve the quality of tubes production within the Salzgitter Group, SZMF continually analyses and optimizes the manufacturing processes, product properties and application potential. In these endeavors, numerical simulation has established itself as an analysis tool complementing experimental trials. In cooperation with the Frauenhofer Institute for Mechanics of Materials (IWM) in Freiburg, SZMF has developed a materials model able to deliver results in numerical simulations that reflect reality to an even higher degree. The high accuracy of prediction is particularly helpful in process design: The wear and tear on tools is minimized and the tolerance accuracy of tubes products further enhanced. In addition, new production processes can be more swiftly tested and installed deploying fewer resources and less personnel outlay. There is also the possibility of deducing the quality of the final products from the properties of the input materials and knowledge of the individual production stages. In view of the highly stringent customer specifications, this is particularly important in adjusting production operations accordingly.

## Gentle-to-product filling

With Innosept Asbofill ESL, KHS GmbH (KHSDE) has introduced a linear filling machine especially developed for bottling ESL (extended shelf life) beverages. KHSDE has therefore succeeded in closing the gap between conventional and aseptic filling technologies. Milk, yogurt beverages, fruit juices, coffee and tea, in other words, all types of beverages, can be bottled using ESL technology with a throughput of a maximum of 24,000 plastic bottles an hour. Handling different bottle shapes is also convenient and simple. One of the chief advantages of Innosept Asbofill ESL is the exceptionally small size of the hygenic room. This involves a dry sterilization process for bottles and caps based on the use of gaseous media, which makes it simple and safe.

# Employees

| | 2013/03/31 | 2012/12/31 | +/– |
|---|---|---|---|
| **Core workforce**[1] | **23,340** | **23,247** | **93** |
| Steel Division | 7,164 | 7,091 | 73 |
| Trading Division | 2,036 | 2,052 | – 16 |
| Tubes Division | 5,537 | 5,552 | – 15 |
| Services Division | 3,723 | 3,746 | – 23 |
| Technology Division | 4,711 | 4,639 | 72 |
| Holding | 169 | 167 | 2 |
| Apprentices, students, trainees | 1,334 | 1,542 | – 208 |
| Non-active age-related part-time employment | 737 | 769 | – 32 |
| **Total workforce** | **25,411** | **25,558** | **– 147** |

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

The **core workforce** of the Salzgitter Group came to 23,340 employees on March 31, 2013, representing an addition of 93 members of staff since the beginning of the year. This growth is chiefly attributable to taking over 201 trainees, mainly in the Steel and Technology divisions. 130 of whom were given temporary employment contracts. The headcount also rose by the hiring of 116 temporary and 98 permanent employees. A countereffect emanated above all from the expiry of temporary contracts and from employees going into non-active age-related part time. The **total workforce** numbered 25,411 persons.

The number of employees affected by short-time work rose from 38 to 59 during the first quarter. A significant increase is anticipated in the second quarter owing to the short-time work planned at Peiner Träger GmbH (PTG) and EUROPIPE GmbH (EP).

As per March 31, 2013, the number of temporary staff outsourced had fallen by 65 in comparison with the previous year's reporting date.

A collective bargaining agreement for the West German steel industry was reached on March 6, 2013, and subsequently adopted by the tariff area in the east. The signed agreement applies to approximately 50 % of the Group's employees in Germany and provides for a 15-month term starting on March 1, 2013, and an increase in wages and salaries along with trainee remuneration of 3.0 %.

# Forecast, Opportunities and Risk Report

A major economic recovery in the eurozone has still failed to materialize. Consequently, no significant improvement in the general conditions for the Salzgitter Group's business activities can be anticipated in the coming months either. For this reason, we are focusing on implementing the internal measures announced that are geared to safeguarding the medium- to long-term competitiveness of the Group. We will be reporting on the results and impact of the "Salzgitter AG 2015" organization project at mid-year.

With German demand for steel at a more modest level, the European steel market is undergoing a severe structural crisis. There is a strong imbalance between excess supply and demand for several product groups in Europe, particularly in the case of southern European producers, which is exerting sustained pressure on margins across almost all steel products. This situation is exacerbated by the persistently high level of raw materials and energy costs as well, with no substantial easing anticipated in the foreseeable future. Rolled steel products for the construction industry, such as beams, are the hardest hit. With a delay in the customary seasonal recovery, there are no signs of fundamental improvement in the second half of the year. Against this background, the **Steel Division** anticipates stable sales at best and a negative pre-tax result around the level of the previous year.

The **Trading Division** expects the recently very dynamic project business in international trading to return to normal levels as opposed to profit opportunities in the stockholding steel trade that may arise from accelerating demand. With a moderate decrease in sales, a profit in the mid-double-digit million range still appears achievable.

The **Tubes Division's** large-diameter pipe business in Europe has come under considerable pressure from the shortfall in capacity utilization since the start of the second quarter, which is likely to persist a good way through the fourth quarter. No significant recovery in demand is anticipated in the precision tubes segment either. With the delivery of larger project volumes that have already been produced from the second quarter onward, the result of medium-diameter line pipes is set to improve, while the seamless stainless steel tubes segment is likely to continue to perform well. All in all, sales are expected to remain stable and profit contribution is likely to be lower compared with the year-earlier level. A pre-tax loss cannot be ruled out.

The **Services Division** predicts sales and a pre-tax result virtually on par with the year-earlier level.

Flanking the positive trend in new orders, the **Technology Division** is expected to see a continuation of its sales and profit momentum, with support anticipated from the KHS Group's "Fit4Future" program initiated back in 2011 and rigorously implemented.

The limited reliability of economic forecasts for Germany and for Europe above all continues to hamper the provision of valid and detailed guidance for the results of the Salzgitter Group. Fundamentally, we do not expect a significant improvement in the economic environment over the remainder of the year. In view of the deterioration in the prospects of the Steel and Tubes Divisions' business it has therefore become necessary to adjust the guidance for the Salzgitter Group: We now anticipate stable **sales** and a negative **pre-tax result** in the mid-double-digit million euro range in the financial year 2013. As already announced, additional special 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 currency parity, may considerably affect performance in the course 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 9 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 € 180 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.

Negotiations on a new one-year contract covering the period from April 2013 to March 2014 are currently being conducted with an ore supplier from which a significant volume is traditionally sourced. In terms of determining prices, it can be assumed that, similar to the contractual year now elapsed, there will be a "corridor clause" enabling prices to be adjusted to take account of any sharp fluctuations on the spot markets. Contracts with the market leader for coking coal are priced 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 competitiveness 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 concrete measures geared toward improving the process and organization structure are to have been specified by mid-year and then approved for subsequent implementation. The programs already under way in individual Group companies continue to be carried out rigorously and networked with the "Salzgitter AG 2015" project.

## New member of the Executive Board

The Supervisory Board of Salzgitter AG has appointed Dipl.-Ökonom Michael Kieckbusch (51) as a member of the Executive Board and Industrial Relations Director of Salzgitter AG, effective February 20, 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. Peter-Jürgen Schneider, his predecessor, was appointed Lower Saxony's Finance Minister, effective February 19, 2013.

# Interim Financial Statement

## I. Consolidated Income Statement

| In € million | Q1 2013 | Q1 2012 |
|---|---|---|
| Sales | 2,446.8 | 2,614.8 |
| Increase/decrease in finished goods and work in process/other own work capitalized | –33.7 | 2.5 |
| | **2,413.1** | **2,617.3** |
| Other operating income | 60.3 | 59.0 |
| Cost of materials | 1,743.2 | 1,948.8 |
| Personnel expenses | 375.3 | 370.4 |
| Amortization and depreciation of intangible assets and property, plant and equipment | 87.2 | 84.9 |
| Other operating expenses | 264.2 | 296.4 |
| Income from shareholdings | 2.3 | 0.8 |
| Income from associated companies | 6.3 | 27.3 |
| Finance income | 8.6 | 9.0 |
| Finance expenses | 36.4 | 32.6 |
| **Earnings before taxes (EBT)** | **–15.8** | **–19.6** |
| Income tax | 0.8 | –4.1 |
| **Consolidated net income/loss** | **–16.6** | **–15.5** |
| | | |
| **Appropriation of profit** | | |
| Consolidated net income/loss | –16.6 | –15.5 |
| Profit carried forward from the previous year | 15.1 | 27.1 |
| Minority interests in consolidated net loss/income for the year | 0.9 | 1.3 |
| Transfer from (+)/to (–) other retained earnings | 17.6 | 16.8 |
| **Unappropriated retained earnings** | **15.1** | **27.1** |
| | | |
| **Basic earnings per share (in €)** | **–0.32** | **–0.31** |
| **Diluted earnings per share (in €)** | **–0.32** | **–0.31** |

## II. Statement of Comprehensive Income

| In € million | Q1 2013 | Q1 2012 |
|---|---|---|
| **Consolidated net income/loss** | **–16.6** | **–15.5** |
| | | |
| **Recycling** | | |
| Changes in currency translation | 5.3 | –3.1 |
| Change in value from hedging transactions | | |
| Changes in current value recorded directly in equity | 1.4 | –2.1 |
| Recognition of sale of securities with effect on income | 0.3 | 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 | –3.1 | 3.6 |
| Recognition from the sale of securities with effect on income | 0.0 | 0.0 |
| Adjustments from associated companies without effect on income | 4.3 | 0.0 |
| Other changes without effect on income | 0.0 | –6.7 |
| Deferred taxes on changes without effect on income | 0.6 | –0.3 |
| **Subtotal** | **8.7** | **–7.3** |
| **Non-Recycling** | | |
| Actuarial gains and losses | 0.0 | 0.0 |
| Adjustments from associated companies without effect on income | 0.0 | 0.0 |
| Deferred taxes on changes without effect on income | 0.0 | 0.0 |
| **Subtotal** | **0.0** | **0.0** |
| | | |
| **Other comprehensive income** | **8.7** | **–7.3** |
| | | |
| **Total comprehensive income** | **–7.9** | **–22.8** |
| | | |
| Total comprehensive income due to Salzgitter AG shareholders | –9.0 | –23.9 |
| Total comprehensive income due to minority interests | 1.1 | 1.1 |
| | **–7.9** | **–22.8** |

## III. Consolidated Balance Sheet

| Assets in € million | 2013/03/31 | 2012/12/31 |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets | 109.0 | 112.3 |
| Property, plant and equipment | 2,506.5 | 2,519.7 |
| Investment property | 21.6 | 22.8 |
| Financial assets | 232.0 | 192.1 |
| Associated companies | 675.7 | 680.3 |
| Deferred income tax assets | 265.2 | 260.4 |
| Other receivables and other assets | 3.9 | 4.7 |
| | **3,814.1** | **3,792.3** |
| **Current assets** | | |
| Inventories | 2,015.1 | 2,068.0 |
| Trade receivables | 1,749.5 | 1,544.8 |
| Other receivables and other assets | 530.9 | 482.4 |
| Income tax assets | 34.2 | 31.1 |
| Securities | 149.6 | 132.5 |
| Cash and cash equivalents | 718.1 | 878.6 |
| | **5,197.4** | **5,137.4** |
| | **9,011.4** | **8,929.7** |

| Equity and liabilities in € million | 2013/03/31 | 2012/12/31 |
|---|---|---|
| **Equity** | | |
| Subscribed capital | 161.6 | 161.6 |
| Capital reserve | 238.6 | 238.6 |
| Retained earnings | 3,581.7 | 3,589.7 |
| Unappropriated retained earnings | 15.1 | 15.1 |
| | **3,997.1** | **4,005.0** |
| Treasury shares | – 369.7 | – 369.7 |
| | **3,627.4** | **3,635.3** |
| Minority interests | 9.1 | 8.2 |
| | **3,636.5** | **3,643.5** |
| **Non-current liabilities** | | |
| Provisions for pensions and similar obligations | 2,171.2 | 2,182.2 |
| Deferred tax liabilities | 65.8 | 66.8 |
| Income tax liabilities | 193.1 | 193.5 |
| Other provisions | 281.1 | 284.4 |
| Financial liabilities | 615.0 | 612.1 |
| | **3,326.2** | **3,339.0** |
| **Current liabilities** | | |
| Other provisions | 341.8 | 337.2 |
| Financial liabilities | 156.5 | 158.2 |
| Trade payables | 986.1 | 918.6 |
| Income tax liabilities | 42.0 | 57.5 |
| Other liabilities | 522.3 | 475.7 |
| | **2,048.7** | **1,947.2** |
| | **9,011.4** | **8,929.7** |

## IV. Cash Flow Statement

| In € million | Q1 2013 | Q1 2012 |
|---|---|---|
| Earnings before taxes (EBT) | –15.8 | –19.6 |
| Depreciation, write-downs (+)/write-ups (–) of fixed assets | 87.2 | 84.9 |
| Income tax refunded (+)/paid (–) | –23.1 | 1.4 |
| Other non-cash expenses (+)/income (–) | 33.2 | 14.1 |
| Interest expenses | 35.9 | 32.6 |
| Gain (–)/loss (+) from the disposal of non-current assets | –1.0 | 0.3 |
| Increase (–)/decrease (+) in inventories | 59.0 | 9.8 |
| Increase (–)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities | –202.0 | –259.3 |
| Use of provisions affecting payments, excluding income tax provision | –71.5 | –71.0 |
| Increase (+)/decrease (–) in trade payables and other liabilities not attributable to investment or financing activities | 115.6 | 446.1 |
| | | |
| **Cash outflow/inflow from operating activities** | **17.5** | **239.3** |
| | | |
| Cash inflow from the disposal of fixed assets | 3.0 | 0.7 |
| Cash outflow for investments in intangible assets and property, plant and equipment | –67.3 | –75.4 |
| Cash inflow (+)/outflow (–) for/from investments of funds | –70.0 | 4.7 |
| Cash inflow from the disposal of financial assets | 1.7 | 0.9 |
| Cash outflow for investments in financial assets | –41.1 | –41.1 |
| | | |
| **Cash flow from investment activities** | **–173.7** | **–110.2** |
| | | |
| Cash outflow in payments to company owners | | |
| Cash inflow (+)/outflow (–) as a result of the issuing of bonds, borrowings and other financial liabilities | –2.0 | –1.7 |
| Interest paid | –3.2 | –5.0 |
| | | |
| **Cash outflow/inflow from financing activities** | **–5.2** | **–6.7** |
| | | |
| 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 | | |
| Gains and losses from changes in foreign exchange rates | 0.9 | 0.1 |
| Payment-related changes in cash and cash equivalents | –161.4 | 122.4 |
| | | |
| **Cash and cash equivalents at the end of the period** | **718.1** | **1,068.7** |

## 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** |
| Total comprehensive income | | | | 0.2 | –3.1 |
| Group trensfers to(+)/from(–) retained earnings | | | | –16.8 | |
| Other | | | | –2.0 | |
| **As of 2012/03/31** | **161.6** | **238.6** | **–369.7** | **4,292.5** | **–18.1** |
| | | | | | |
| **As of 2012/12/31** | **161.6** | **238.6** | **–369.7** | **4,198.5** | **–15.8** |
| Total comprehensive income | | | | –0.2 | 5.3 |
| Group trensfers to(+)/from(–) retained earnings | | | | –17.6 | |
| Other | | | | 0.2 | |
| **As of 2013/03/31** | **161.6** | **238.6** | **–369.7** | **4,181.0** | **–10.6** |

| 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** |
| – 0.8 | 3.6 | – 7.0 | – 16.8 | – 23.9 | 1.1 | – 22.8 |
| | | | 16.8 | 0.0 | | 0.0 |
| | | | | – 2.0 | 0.2 | – 1.8 |
| **0.3** | **– 10.4** | **– 357.1** | **27.1** | **3,964.8** | **10.4** | **3,975.2** |
| | | | | | | |
| **– 0.2** | **– 9.7** | **– 583.2** | **15.1** | **3,635.3** | **8.2** | **3,643.5** |
| 1.7 | – 3.1 | 4.9 | – 17.6 | – 9.0 | 1.1 | – 7.9 |
| | | | 17.6 | 0.0 | | 0.0 |
| | | 0.9 | | 1.1 | – 0.2 | 0.9 |
| **1.4** | **– 12.8** | **– 577.3** | **15.1** | **3,627.4** | **9.1** | **3,636.5** |

# Notes

## Segment Reporting

| In € million | Steel | | Trading | | Tubes | |
|---|---|---|---|---|---|---|
| | Q1 2013 | Q1 2012 | Q1 2013 | Q1 2012 | Q1 2013 | Q1 2012 |
| External sales | 670.5 | 724.8 | 993.7 | 1,103.9 | 400.8 | 389.0 |
| Sales to other segments | 342.7 | 310.1 | 14.3 | 6.1 | 84.7 | 87.5 |
| Sales to Group companies that cannot be allocated to an operating segment | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.2 |
| Segment sales | 1,013.2 | 1,034.9 | 1,008.0 | 1,109.9 | 485.6 | 476.7 |
| Interest income (consolidated) | 0.0 | 0.0 | 2.7 | 1.0 | 0.3 | 0.2 |
| Interest income from other segments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest income from Group companies that cannot be allocated to an operating segment | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 |
| Segment interest income | 0.1 | 0.1 | 2.8 | 1.0 | 0.3 | 0.4 |
| Interest expenses (consolidated) | 5.5 | 3.5 | 2.7 | 2.0 | 3.3 | 1.9 |
| Interest expenses of 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 | 18.7 | 18.2 | 1.5 | 3.4 | 2.5 | 4.1 |
| Segment interest expenses | 24.2 | 21.7 | 4.2 | 5.4 | 5.9 | 6.0 |
| of which interest portion of allocations to pension provisions | 2.5 | 2.4 | 0.7 | 0.8 | 1.4 | 1.5 |
| Depreciation/amortization of tangible and intangible fixed assets | 59.8 | 58.2 | 2.7 | 2.6 | 11.8 | 11.2 |
| of which scheduled depreciation of property, plant and equipment and amortization of intangible assets | 59.8 | 58.2 | 2.7 | 2.6 | 11.8 | 11.2 |
| EBIT before depreciation and amortization (EBITDA) | 50.3 | 28.2 | 14.3 | 18.5 | 4.9 | 7.2 |
| EBIT | −9.5 | −30.0 | 11.6 | 15.9 | −6.9 | −4.0 |
| Segment earnings before taxes (EBT) | −33.7 | −51.6 | 10.2 | 11.5 | −12.5 | −9.6 |
| of which income from associated companies | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | −0.8 |
| Investments in property, plant and equipment and intangible assets | 46.3 | 44.0 | 1.6 | 3.2 | 10.0 | 11.4 |

| Services | | Technology | | Total segments | | Other/Consolidation | | Group | |
|---|---|---|---|---|---|---|---|---|---|
| Q1 2013 | Q1 2012 | Q1 2013 | Q1 2012 | Q1 2013 | Q1 2012 | Q1 2013 | Q1 2012 | Q1 2013 | Q1 2012 |
| 101.4 | 108.4 | 270.8 | 280.1 | 2,437.2 | 2,606.2 | 9.5 | 8.6 | 2,446.8 | 2,614.8 |
| 235.6 | 226.7 | 0.1 | 0.2 | 677.3 | 630.5 | 128.2 | 73.2 | 805.5 | 703.7 |
| 1.4 | 1.2 | 0.1 | 0.1 | 1.7 | 1.5 | 0.0 | 0.0 | 1.7 | 1.5 |
| 338.3 | 336.3 | 271.1 | 280.4 | 3,116.2 | 3,238.2 | 137.8 | 81.8 | 3,254.0 | 3,320.0 |
| 0.5 | 0.2 | 0.9 | 0.6 | 4.4 | 2.1 | 4.2 | 7.0 | 8.6 | 9.0 |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 18.2 | 27.0 | 18.2 | 27.0 |
| 2.6 | 2.9 | 0.0 | 0.1 | 2.7 | 3.2 | 0.0 | 0.0 | 2.7 | 3.2 |
| 3.1 | 3.1 | 0.9 | 0.7 | 7.1 | 5.2 | 22.4 | 33.9 | 29.5 | 39.2 |
| 3.7 | 3.5 | 1.2 | 1.3 | 16.4 | 12.1 | 19.4 | 20.5 | 35.9 | 32.6 |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 15.7 | 3.2 | 15.7 | 3.2 |
| 1.4 | 1.1 | 0.2 | 0.2 | 24.3 | 27.0 | 0.0 | 0.0 | 24.3 | 27.0 |
| 5.0 | 4.5 | 1.4 | 1.5 | 40.8 | 39.0 | 35.2 | 23.7 | 76.0 | 62.7 |
| 2.9 | 3.3 | 0.8 | 1.0 | 8.3 | 9.0 | 6.9 | 10.1 | 15.2 | 19.2 |
| 6.4 | 5.9 | 6.0 | 6.1 | 86.7 | 84.1 | 0.4 | 0.8 | 87.2 | 84.9 |
| 6.4 | 5.9 | 6.0 | 6.1 | 86.7 | 84.1 | 0.4 | 0.8 | 87.2 | 84.9 |
| 10.1 | 13.6 | 10.2 | 9.4 | 89.7 | 76.9 | 8.9 | 12.0 | 98.7 | 88.9 |
| 3.7 | 7.6 | 4.1 | 3.3 | 3.0 | −7.2 | 8.5 | 11.2 | 11.5 | 4.0 |
| 1.7 | 6.2 | 3.6 | 2.5 | −30.6 | −41.0 | 14.8 | 21.4 | −15.8 | −19.6 |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | −0.8 | 5.8 | 28.0 | 6.3 | 27.3 |
| 6.4 | 13.2 | 3.8 | 3.3 | 68.1 | 75.1 | 0.3 | 0.1 | 68.4 | 75.2 |

# 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 March 31, 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 March 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 € –0.32 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 € –0.32.

## 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.-31.03.2013 | 01.01.-31.03.2013 | 2013/03/31 | 2013/03/31 |
| Hüttenwerke Krupp Mannesmann GmbH, Duisburg | 4.7 | 127.5 | 0.1 | 45.7 |

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.

# Financial Calendar 2013

| | |
|---|---|
| **February 27, 2013** | Key data for the financial year 2012 |
| **March 22, 2013** | Publication of the consolidated financial statements for 2012<br>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<br>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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