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SALZGITTER AG

Salzgitter AG revises its guidance for the financial year 2013 in view of the persisting structural crisis in the European steel industry

The ongoing recession in many European countries has put pressure on the European steel industry in the form of a structural crisis. The direct and indirect consequences of this crisis have considerably burdened Salzgitter AG. The downturn in demand has resulted in significant surplus capacities arising especially among the steel producers of these countries. The ensuing fierce competition has led to insufficient capacity utilization in many production plants throughout the EU, while the selling prices that can be commanded by many rolled steel products in the EU market are below the manufacturing costs. Owing to the extreme contraction in construction activities in southern European countries, with no significant recovery in sight in the medium term, sectional steel products such as beams are particularly hard hit.

Against this backdrop, Peiner Träger GmbH (PTG), a Salzgitter Group company, is reporting persistently high losses. Despite the extensive restructuring measures initiated, earnings prospects are likely to remain unsatisfactory in the medium term as well. The assessment of the fair value of PTG's assets in accordance with applicable IFRS accounting standards has shown the necessity of impairment amounting to € 185.0 million on PTG's assets. This impairment will be fully recognized through profit and loss in the half-yearly accounts of the Salzgitter Group as of June 30, 2013.

The market valuation of metal price hedging transactions and the reporting-date valuation of Aurubis AG's inventories (NAAG; 25 % stake held by Salzgitter AG) have resulted in a negative after-tax contribution of € 60.0 million by NAAG to the Salzgitter Group in the second quarter. The prices of copper and other metals declined notably in the second quarter. For this reason, there is a risk that the profit contribution of Aurubis to the consolidated result of the

Salzgitter Group may not be in the range originally anticipated for the financial year as a whole.

The operations of the Salzgitter Group's other companies are also exposed to challenging framework conditions:

The earnings prospects of the Steel Division have therefore deteriorated overall. To counteract this situation, designated cost-cutting measures, such as investing in a coal injection plant for the Salzgitter blast furnaces, and numerous other projects are being vigorously advanced.

The European large-diameter pipe producers of the Salzgitter Group are faced with a pronounced shortfall in orders, as no notable projects for large-diameter pipes are currently being awarded in the global market. Consequently, short-time work introduced in a number of Group companies is likely to run at least until the end of the year. The business activities of Europe's leading precision steel tube manufacturer Salzgitter Mannesmann Precision Group continue to be hampered by the persistent weakness of the French automotive market. The company is forging ahead with the restructuring measures introduced. Accordingly, the Tubes Division is set to deliver a notable pre-tax loss.

The results of the Trading and Services divisions still meet expectations, while the Technology Division continues to perform well.

In the first half of 2013, the Salzgitter Group has posted a pre-tax loss totaling € 298.7 million, including all operating and accounting-related effects (first half of 2012: € -17.9 million).

In view of the aforementioned negative influences, and due to the operating development anticipated, adjusting our profit guidance has become necessary. The Salzgitter Group now anticipates a negative pre-tax result of around € 400 million 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.

Further details on the half-yearly financial statements, adjusted guidance for the year, and progress made with the extensive "Salzgitter 2015" restructuring program will be issued on August 14, 2013.