

H 1

Interim Report
1st Half 2015





Contents

Salzgitter Group Figures	2
Summary	3
Investor Relations	4
Profitability of the Group and Business Units	6
Economic Environment	6
Earnings Situation within the Group.....	7
Procurement.....	9
Steel market developments	10
Strip Steel Business Unit.....	11
Plate/Section Steel Business Unit.....	13
Energy Business Unit.....	16
Trading Business Unit.....	19
Technology Business Unit	21
Industrial Participations / Consolidation	22
Financial Position and Net Assets	23
Investments	25
Research and Development	27
Employees	29
Guidance, Opportunities and Risk Report	31
Events of Significance	33
Interim Financial Statement	34
Notes	40
Financial Calendar 2015	44

Salzgitter Group Figures

		H1 2015	H1 2014	+/-
Crude steel production	kt	3,521.9	3,696.7	-174.8
External sales	€ m	4,529.6	4,549.3	-19.6
Strip Steel Business Unit	€ m	1,030.1	1,095.6	-65.5
Plate / Section Steel Business Unit	€ m	500.2	556.5	-56.3
Energy Business Unit	€ m	574.9	651.0	-76.2
Trading Business Unit	€ m	1,690.3	1,560.0	130.3
Technology Business Unit	€ m	636.3	592.8	43.5
Industrial Participations / Consolidation	€ m	97.7	93.2	4.5
EBIT before depreciation and amortization (EBITDA)¹⁾	€ m	280.8	209.2	71.7
Earnings before interest and taxes (EBIT)¹⁾	€ m	113.9	40.4	73.6
Earnings before taxes (EBT)	€ m	80.2	-4.2	84.4
Strip Steel Business Unit	€ m	20.7	-6.9	27.6
Plate / Section Steel Business Unit	€ m	-19.5	-42.6	23.2
Energy Business Unit	€ m	3.3	-19.8	23.1
Trading Business Unit	€ m	17.3	7.0	10.3
Technology Business Unit	€ m	14.6	11.5	3.2
Industrial Participations / Consolidation	€ m	43.7	46.6	-2.9
Net income/loss for the financial year	€ m	41.3	-15.9	57.3
Earnings per share – basic	€	0.72	-0.33	1.05
Return on capital employed (ROCE)²⁾³⁾	%	5.4	1.1	4.3
Operating cash flow	€ m	-12.1	119.0	-131.1
Investments⁴⁾	€ m	143.0	111.4	31.6
Depreciation/amortization⁴⁾	€ m	-166.9	-168.8	1.9
Total assets	€ m	8,570.4	8,365.6	204.8
Non-current assets	€ m	3,523.1	3,557.3	-34.2
Current assets	€ m	5,047.3	4,808.3	239.0
of which inventories	€ m	2,013.3	1,966.9	46.4
of which cash and cash equivalents	€ m	638.3	724.7	-86.4
Equity	€ m	2,968.7	3,148.1	-179.4
Liabilities	€ m	5,601.7	5,217.5	384.2
Non-current liabilities	€ m	3,166.4	3,048.8	117.6
Current liabilities	€ m	2,435.3	2,168.7	266.6
of which due to banks ⁵⁾	€ m	341.5	251.4	90.1
Net position⁶⁾	€ m	178.3	156.2	22.1
Employees				
Personnel expenses	€ m	-842.4	-777.1	-65.3
Core workforce on the reporting date ⁷⁾	empl.	23,542	23,357	185
Total workforce on the reporting date ⁸⁾	empl.	25,288	25,318	-30

Disclosure of financial data in compliance with IFRS

¹⁾ EBIT = EBT + interest expenses/-interest income; EBITDA = EBIT + depreciation and amortization

²⁾ 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

³⁾ Annualized

⁴⁾ Excluding financial investments

⁵⁾ Current and non-current bank liabilities

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

⁷⁾ Excl. trainee contracts and excl. non-active age-related part-time work

⁸⁾ Incl. trainee contracts and incl. non-active age-related part-time work

Summary

The Salzgitter Group confirms turnaround in the first half of 2015

The Salzgitter Group closed the first half of 2015 with its first positive half-year earnings before taxes since 2011, substantially up on the result from the previous year. All business units contributed to this gratifying development with improved results compared to the previous year. In total, € 33.1 million in expenses for structure-enhancing measures was incurred. The financial basis remains very solid with a 35% equity ratio, as well as a net credit balance of € 178 million. This development proves the far-reaching effects of the groupwide restructuring program “Salzgitter AG 2015”, regardless of the still challenging economic environment in Europe.

Group

- **External sales:** Almost unchanged
- **Pre-tax result:** € 80.2 million (first six months of 2014: € -4.2 million)
- **After-tax result:** € 41.3 million
- **Earnings per share (basic):** € 0.72
- **Return on capital employed (ROCE):** 5.4%
- **Net credit balance:** € 178 million
- **Equity ratio** of 35% remains at a solid level

Development of the business units

- **Strip Steel:** Shipments on a par with the previous year, declining selling prices led to slightly reduced external sales, pre-tax profit was tangibly higher thanks to the good result posted by Salzgitter Flachstahl GmbH
- **Plate/Section Steel:** Expanded shipments, external sales down due to selling prices, earnings before taxes negative as a result of the clear loss at HSP Hoesch Spundwand und Profil GmbH, which contains a precautionary measure of € 23.1 million
- **Energy:** Slightly lower shipment tonnage; decreased external sales, profit zone achieved despite the formation of € 10.0 million provisions for restructuring measures at EUROPIPE France S.A.
- **Trading:** Shipment volumes increased substantially, external sales up, pre-tax profit more than doubled compared with previous year's period, improvement driven by international trading
- **Technology:** External sales improved, higher pre-tax result
- **Industrial Participations / Consolidation:** Pre-tax profit includes € 16.4 million in earnings from the Aurubis investment, as well as valuation effects from foreign exchange transactions that firmed up profit

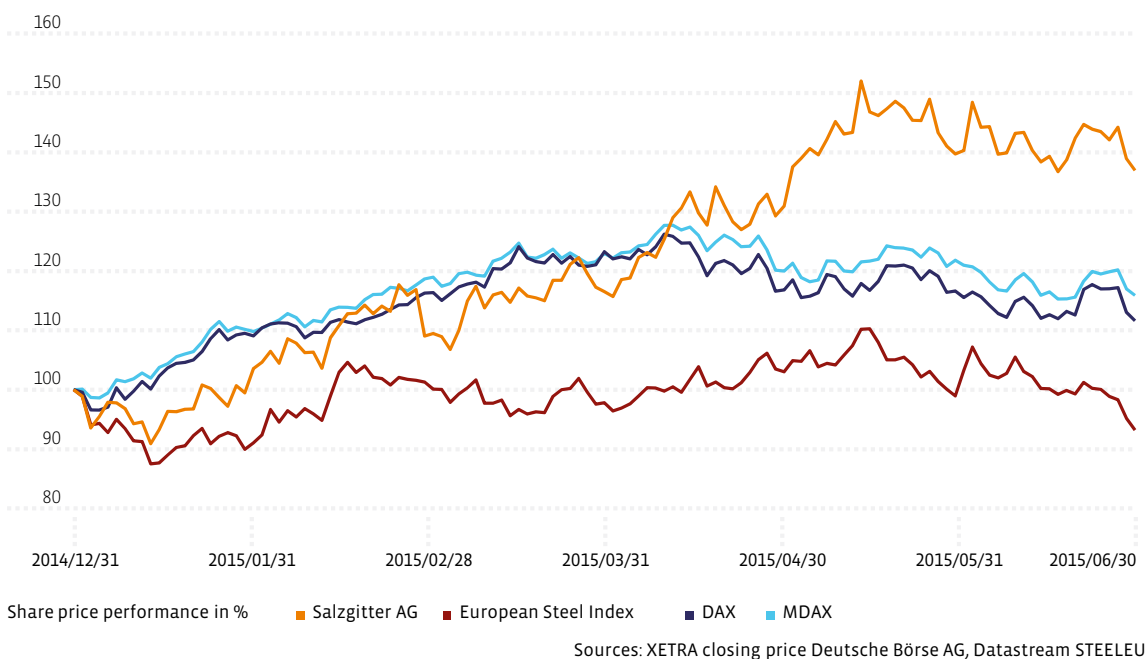
Forecast

With regard to the year 2015, the Salzgitter Group continues to anticipate stable sales, earnings before taxes in the lower to mid-double-digit million euro range, as well as an increase in return on capital employed (ROCE) compared with the previous year's figure.

Investor Relations

Capital Market and Price Performance of the Salzgitter Share

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



The **stock markets** recorded an upwards trend overall during the reporting period. In January, a bull market set in driven by the decision of the European Central Bank to buy government bonds, with this rise being sustained until April, and a new all-time high of 12,391 points posted on the DAX on April 10. Subsequently, a consolidation phase set in, prompted primarily by the financial crisis in Greece, during which the DAX shed around 10 % in the period up to June 30. Overall, the DAX gained 12 % in the first six months of 2015, while the MDAX improved by 16 %.

The European Steel Index lost a total of 7 % during the course of the first half of 2015. In contrast, the **Salzgitter share** recorded highly pleasing development. Starting the year at the closing price for 2014 of € 23.41, the share price climbed until the end of February following a slow start due to the temporary suspension of the South Stream order. After a short consolidation phase at the start of March, a second upwards movement set in which saw the high for the year so far of € 36.42 achieved on May 14. This also reflected the capital market's recognition of the tangible successes of the "Salzgitter AG 2015" program of measures. As part of the general market activity, our share tended towards weaker development in the period that followed and a portion of the previously achieved gains were surrendered once again. With a closing price of € 32.06 on June 30, the Salzgitter share recorded a gain of 37 % during the reporting period.

In the current **analyst coverage** conducted by 26 banks, the Salzgitter share has been assessed with the following recommendations (as of June 30, 2015): 11 buy/outperform, 7 hold/market perform, 8 sell/underperform.

The **average daily turnover** of the Salzgitter share on German stock exchanges came to around 464,000 units per day during the reporting period and was therefore almost 200,000 units up on the comparable previous year's figure (277,000 units/day). As of June 30, 2015, Salzgitter AG (SZAG) therefore took 17th place measured by turnover and held 41st place in terms of free float market capitalization in the MDAX ranking of Deutsche Börse AG.

Capital market communications: In the period under review, we presented the Salzgitter Group as part of investor conferences in Frankfurt, Berlin, Baden-Baden, Nice and New York, as well as at roadshows organized in Frankfurt, London, Dublin, Geneva and Zurich. In addition, investors and analysts took advantage of the offer of visiting our plants in Salzgitter, Peine, Dortmund and Mülheim, and informing themselves about our company in discussions with Group representatives. The results of the financial year 2014 were presented to the capital market at well-attended analyst conferences in Frankfurt and London. Once again, information events and site visits arranged by the "Freundeskreis der Aktionäre der SZAG" (Circle of Friends of Salzgitter AG Shareholders) met with great interest on the part of our private investors.

Treasury shares

Salzgitter AG's portfolio of treasury shares amounted to 6,009,700 units as of June 30, 2015, unchanged from December 31, 2014, which corresponds to 10 % of the shares issued.

Dividend

As before, the **dividend amount** will be geared to the profit trend. The cyclical fluctuations typical for 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 SZAG are decisive for dividend payments. The Salzgitter Group pursues a fundamental policy of paying out steady and attractive dividends – removed from volatile reporting-date related influences – based on the prerequisite of achieving actual operating profit. Such payments do not necessarily have to fully reflect the cyclicity of the earnings performance. In line with these considerations, the General Meeting of Shareholders approved a dividend distribution of € 0.20 per share for the financial year 2014 on May 28, 2015.

Information for investors

		H1 2015	H1 2014
Nominal capital as of 06/30/	€ m	161.6	161.6
Number of shares as of 06/30/	units m	60.1	60.1
Number of shares outstanding as of 06/30/	units m	54.1	54.1
Market capitalization as of 06/30/ ¹⁾	€ m	1,734	1,663
Closing price as of 06/30²⁾	€	32.06	30.74
Stock market high 01/01 – 06/30 ²⁾	€	36.42	33.81
Stock market low 01/01 – 06/30 ²⁾	€	21.01	26.98

Securities identification number: 620200, ISIN: DE0006202005

¹⁾ Calculated on the basis of the respective year-end closing price multiplied by the number of shares outstanding as per December 31

²⁾ All data relate on prices in XETRA trading

Profitability of the Group and Business Units

Economic Environment

The **world economy** expanded at a moderate pace in the first half of 2015. The focus of growth activities shifted to the developed economies. Although the hard winter slowed the American economy at the start of the year, the lower energy costs and rising employment figures supported economic growth in the period that followed. In Japan, production gains continued, driven by private consumption. The expansion rate of emerging countries slowed. China was unable to maintain the strong growth level of previous years, with the annualized rate falling to its lowest level since 2009. The lower raw materials prices impacted the Latin American economies as well as Russia, which was also dealing with the effects of the Ukraine crisis and continued to show recessionary tendencies. Overall, the International Monetary Fund (IMF) nonetheless anticipates growth in the global economy of 3.3 % for 2015 in its most recent forecast.

Despite the national debt crisis in Greece, the economic recovery in the **Eurozone** solidified in the reporting period, as the fall in value of the Euro against the US Dollar in addition to lower energy costs boosted economic development in most Euro countries. The internal European economy remained the main driver behind this trend, while order intake for investment goods also rose. From a regional point of view, Spain benefited to the greatest extent from these conditions. Here, the economy recorded its strongest growth since 2007. Economic stagnation was also overcome in France and Italy, with growth remaining decidedly moderate in both countries. Central and Eastern European countries recorded upward trends. Currently, the IMF anticipates Eurozone growth of 1.5 % for 2015.

The domestic economy made the greatest contribution to the upturn in **Germany** during the reporting period. Reduced energy costs, as well as favorable development on the employment market helped private consumption to grow considerably. The low Euro exchange rate stimulated exports, while imports, however, also developed more strongly. Investment activity increased gradually, and the construction industry also saw demand pick up. Overall, the IMF currently anticipates economic growth of 1.6 % for Germany in 2015.

		Q2 2015	Q2 2014	H1 2015	H1 2014
Crude steel production	kt	1,741.3	1,821.7	3,521.9	3,696.7
External sales	€ m	2,241.8	2,248.3	4,529.6	4,549.3
EBIT before depreciation and amortization (EBITDA) ¹⁾	€ m	131.3	112.1	280.8	209.2
Earnings before interest and taxes (EBIT) ¹⁾	€ m	47.0	27.0	113.9	40.4
Earnings before taxes (EBT)	€ m	28.4	4.5	80.2	-4.2
Net income/loss for the financial year	€ m	8.6	-2.6	41.3	-15.9
Return on capital employed (ROCE)²⁾³⁾	%	4.1	1.8	5.4	1.1
Investments ⁴⁾	€ m	73.5	59.8	143.0	111.4
Depreciation/amortization ⁴⁾	€ m	-84.3	-85.1	-166.9	-168.8
Operating cash flow	€ m	-54.6	212.5	-12.1	119.0
Net position⁵⁾	€ m			178.3	156.2
Equity ratio	%			34.6	37.6

¹⁾ EBIT = EBT + interest expenses/-interest income; EBITDA = EBIT + depreciation and amortization

²⁾ 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, forfeiting

³⁾ Annualized

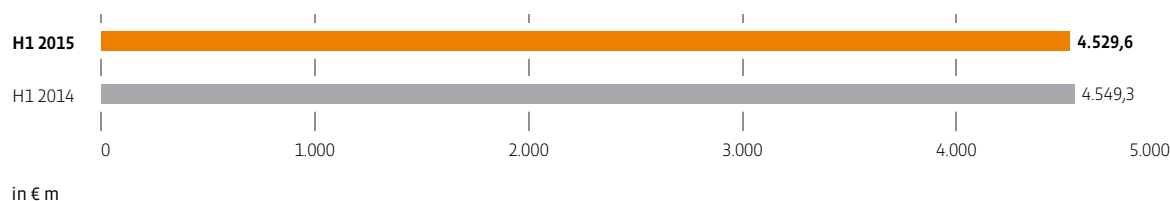
⁴⁾ Excluding financial investments

⁵⁾ Including investments, e.g. securities and structured investments

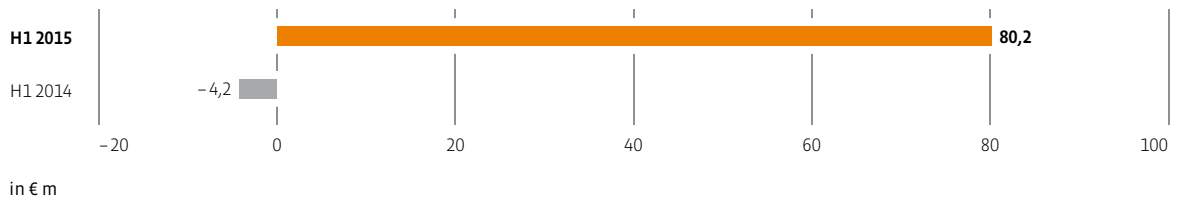
Earnings Situation within the Group

The Salzgitter Group closed the first half of 2015 with its first positive half-year earnings before taxes since 2011, substantially up on the result from the previous year. All business units contributed to this pleasing development with improved results compared to the previous year. In total, € 33.1 million in expenses for structure-enhancing measures was incurred. The financial basis remains very solid with a 35% equity ratio, as well as a net credit balance of € 178 million. This development proves the far-reaching effects of the groupwide restructuring program "Salzgitter AG 2015", regardless of the still challenging economic environment in Europe.

External sales



EBT



At € 4,529.6 million, the **external sales** of the Salzgitter Group in the first half of 2015 were roughly on a par with the previous year level (first half of 2014: € 4,549.3 million). The company generated a gratifying **pre-tax profit** of € 80.2 million (first half of 2014: € -4.2 million). This profit contains a € 16.4 million positive contribution from the Aurubis investment (first half of 2014: € 39.2 million), as well as a total of € 33.1 million in expenses for streamlining measures. The **after-tax result** stood at € 41.3 million (first half of 2014: € -15.9 million), resulting in earnings per share of € 0.72 (first half of 2014: € -0.33). The return on capital employed (ROCE) was recorded at 5.4 % (first half of 2014: 1.1 %).

Procurement

Ore prices at a low level

The **iron ore** market was characterized by a constant decline in prices. After the Platts IODEX 62% Fe CFR China, the spot market's benchmark, fell significantly from 135 USD/dmt to 66 USD/dmt during 2014, the trend continued during the first half of 2015 at a reduced pace. As a result, the 60 USD and 50 USD marks were undercut in March and April respectively and thus historical lows since the establishment of the index in July 2008 were recorded. The average price in the first quarter 2015 stood at 62 USD/dmt, and this was followed by 58 USD/dmt in the following period. This market development is attributable to a combination of different factors: The growth in capacity within China's steel industry, the imports of which account for some 70% of seaward traded ore, has lost much of its momentum in the past one and a half years. Nevertheless, the demand for overseas ore has hardly weakened, as the decline in prices on the world market is increasingly crowding out part of the more cost-intensive Chinese ore production. However, the major producers in Australia and Brazil have tangibly increased their output as part of long-term expansion efforts, markedly increasing supply in the process. This exerts considerable pressure on ore prices. Various market participants and analysts assume that the spot market price will remain at a low level for the rest of the year.

Further decline in the coking coal market

In contrast to the index-determined ore market pricing, the quarterly prices for **coking coal** with benchmark quality continue to be negotiated between large producers and customers. As in the previous year, the market to date this year has been influenced by a massive excess supply of coking coal. This led to sharply falling prices, particularly from the second quarter 2015 onwards. While the benchmark price for the first quarter still stood at 117 USD/t FOB Australia, the benchmark price fell to 109.50 USD/t in the second quarter and to 93 USD/t for the third. This means that the lowest price level since 2005 was reached. According to many market commentaries, the outlook for the near future is hardly providing any signs of a significant pickup in demand, which should cement the substantial excess supply and continue to exert considerable pressure on the prices.

Price fluctuations in metals and ferro-alloys

The situation on the international **metal and alloy** markets varied: The prices for manganese-based bulk alloys rather moved sideways in the first half of 2015. In contrast, listed materials such as zinc, nickel, copper and aluminum were highly volatile: After prices dropped sharply in the first three months, the second quarter was primarily characterized by a price rally on the zinc market and price erosion on the nickel market.

Steel scrap prices stable of late

At the start of the year, the **demand for steel scrap** from German steel works partly exceeded supply, which was reflected in the price increase to 8 €/t depending on the grade and region. From February onward, steel scrap prices tumbled on the US domestic market, strongly influencing prices for steel scrap deliveries to Turkey from the euro zone in its wake. Given the ongoing relatively good capacity utilization of Germany's steel industry and satisfactory demand for steel scrap by electric steel works, the situation on the German market was quite different: here, prices only declined in a range of between 10 to 22 €/t in February and March, depending on the grade. In April, the domestic scrap prices increased by an average of 15 to 20 €/t given the availability of old steel scrap, as well as a revival on the deep-sea market. From May, supply and demand were balanced, resulting in scrap prices remaining largely unchanged.

Steel market developments

Global crude steel production was stuck in reverse during the reporting period. The clear fall in demand in China is being accompanied by a sustained high level of exports. There was also reticence on the steel markets in many other regions: In the USA, market supply has decreased tangibly during the course of the year, particularly as a result of the plunge in oil field pipe business and a sharp inventory correction. Ultimately, the economic crises in Russia and large parts of South America had a major impact on their respective steel markets.

Against the backdrop of the sustained structural crisis in the European steel market, crude steel production in the **European Union** (EU) stagnated at the same level as the previous year during the reporting period, while demand increased by one percent. The core problem remains the challenges faced in foreign steel trade. As a result, the import pressure rose again, despite the weak Euro.

Germany's steel market started out in the new year with relatively favorable conditions given the low level of inventories held by the distribution sector. These circumstances are also reflected in the development of order intake for rolled steel products which, in the first quarter of the year, almost reached the exceptionally high level observed in the same period of the previous year. However, incoming orders flagged in the spring months as a result of cautious inventory replenishment, which saw this figure decrease by around 2 % compared to the previous year. In the first six months of 2015, 1.5 % less crude steel was smelted than a year ago.

Strip Steel Business Unit

		Q2 2015	Q2 2014	H1 2015	H1 2014
Order intake	kt	1,169.5	1,183.4	2,370.5	2,397.1
Order backlog on reporting date	kt			757.5	762.5
Crude steel production	kt	1,133.6	1,157.4	2,257.1	2,353.2
Rolled steel production	kt	880.1	906.6	1,785.6	1,809.7
Shipments	kt	1,190.2	1,156.6	2,404.7	2,405.6
Segment sales¹⁾	€ m	671.3	694.9	1,367.4	1,459.9
External sales	€ m	505.4	520.2	1,030.1	1,095.6
Earnings before taxes (EBT)	€ m	4.1	-4.6	20.7	-6.9

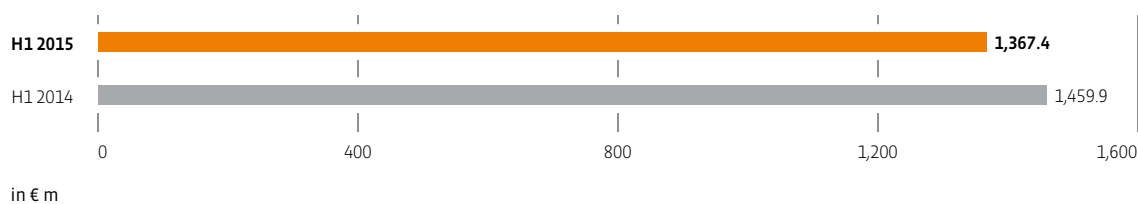
¹⁾Including sales with other business units in the Group

The core competences of the **Strip Steel Business Unit** lie in the production of steel in the fully integrated steelworks of Salzgitter Flachstahl GmbH (SZFG) and in subsequent processing to produce high-grade strip steel products. The affiliated steel service centers of Salzgitter Mannesmann Stahlservice GmbH (SMS) serve the growing prefabrication requirements of our customers. The two processing companies Salzgitter Europlatinen GmbH (SZEP) and Salzgitter Bauelemente GmbH (SZBE) extend the value chain within the business unit with their customized products (tailored blanks as well as roofing and wall elements). The European automotive industry is the most important customer sector.

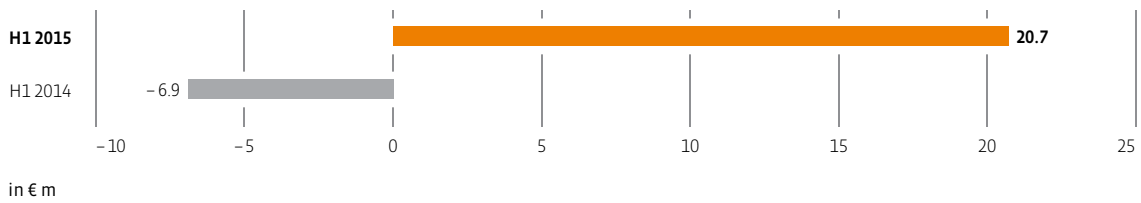
The market supply of **strip steel products** in Germany stagnated in the first half of 2015 compared to the same period in the previous year on a reasonable level. The main reason for this was that traders and processors only cautiously replenished their inventories. A slight increase in demand was recorded in the European Union (EU) during the same period of time. Despite the weak Euro, the import pressure continued to grow, which meant that the increased demand only partially reached the EU steel industry.

The **order intake** and **backlog** of the Strip Steel Business Unit were almost on a par with the previous year in the first six months of 2015, while **shipments** were on a similar level to the comparable previous year's figure. However, both **segment** and **external sales** fell short of the 2014 figures for selling price-related reasons. Thanks to the pleasing improvement in SZFG's performance, the business unit generated a **pre-tax profit** of € 20.7 million, thereby significantly exceeding the previous year's figure (€ -6.9 million).

Sales



EBT



The order intake of **Salzgitter Flachstahl GmbH** (SZFG) remained on a par with the buoyant previous year level. Order backlog, rolled steel production and shipments almost reached the comparable figures from the previous year, while crude steel production fell short of last year's mark. Sales decreased tangibly, which was primarily attributable to the substantial decline in sale proceeds year-on-year, which were at their lowest level since spring 2010. The continued fierce competition on the EU steel market and the drop in ore prices did not leave any leeway for price increases, despite the upbeat development in demand. SZFG recorded a pre-tax profit in the first half of 2015. This result noticeably improved over the negative previous year figure, particularly thanks to lower raw material procurement prices. The commissioning of the pulverized coal injection plant also had a positive influence

Salzgitter Mannesmann Stahlservice GmbH (SMS) clearly increased shipments thanks to the consistent implementation of the joint sales strategy together with SZFG. Sales therefore rose despite the sustained decline in prices. Although the pre-tax result did not yet reach the breakeven point, this figure improved over the prior year.

The decline in sales at **Salzgitter Bauelemente GmbH** (SZBE) compared to the previous year's period primarily reflected market-induced tangibly lower shipment volumes and continued price pressure. This then translated into a somewhat weaker result.

The shipments of **Salzgitter Europlatinen GmbH** (SZEP) fell short of the mark recorded in the previous year. Sales also declined in connection with a weaker price level. Pre-tax profit were therefore short of the figure recorded in the first half of 2014.

Plate/Section Steel Business Unit

		Q2 2015	Q2 2014	H1 2015	H1 2014
Order intake	kt	733.1	711.6	1,346.9	1,258.4
Order backlog on reporting date	kt			576.5	429.8
Crude steel production	kt	285.8	277.8	566.2	559.0
Rolled steel production	kt	652.6	622.7	1,312.2	1,217.2
Shipments ¹⁾	kt	635.0	616.5	1,293.0	1,195.6
Segment sales²⁾	€ m	472.8	488.5	948.6	944.2
External sales	€ m	247.0	304.7	500.2	556.5
Earnings before taxes (EBT)	€ m	-18.8	-20.2	-19.5	-42.6

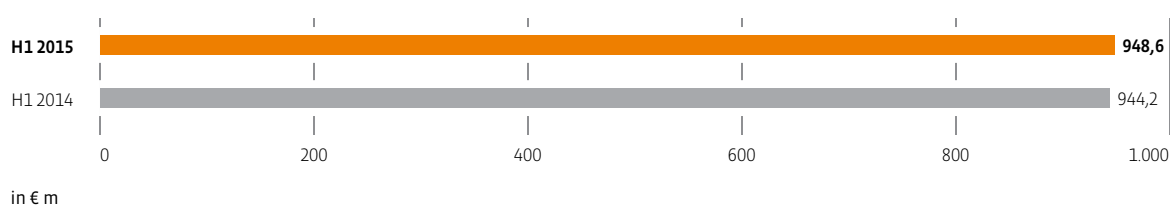
¹⁾Excluding DMU Group

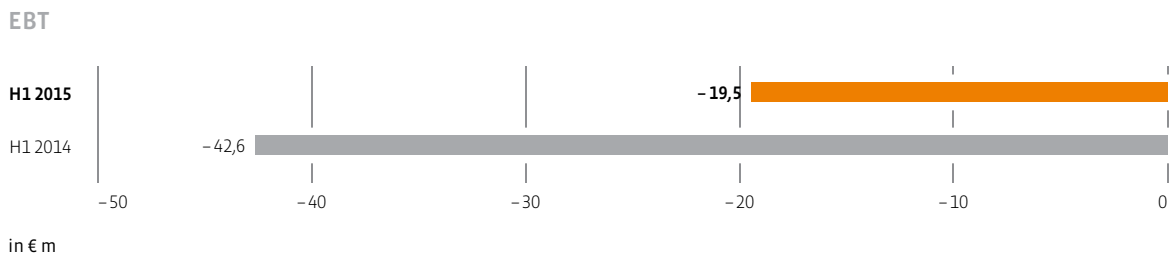
²⁾Including sales with other business units in the Group

The **Plate/Section Steel Business Unit** incorporates the companies of the Group that primarily serve customers in the project-oriented construction and infrastructure sectors. The business unit comprises Ilseburger Grobblech GmbH (ILG) and Salzgitter Mannesmann Grobblech GmbH (MGB), on the one hand, and Peiner Träger GmbH (PTG) as well as HSP Hoesch Spundwand und Profil GmbH (HSP) on the other. ILG and MGB produce a wide range of high-grade plate products. Key customers include heavy mechanical engineering, pipes and tubes producers, as well as wind turbine manufacturers, while PTG and HSP supply to construction and civil engineering projects throughout the whole of Europe. The integration of DEUMU Deutsche Erz- und Metall-Union GmbH (DMU), together with its subsidiary BSH Braunschweiger Schrotthandel (BSH), as a scrap supplier of Peiner Träger GmbH (PTG) permits a closer and more flexible coordination of logistics processes.

Order intake and **order backlog** of the Plate/Section Steel Business Unit were up compared to the previous year's period. **Rolled steel production** and **shipments** also exceeded the figures recorded in the previous year. **Segment sales** remained stable despite a fall in selling prices thanks to higher volumes, while **external sales** came in substantially down on the figure recorded in the first half of 2014. Thanks to the successes of the rapidly implemented restructuring and operating optimization, PTG achieved a pleasing pre-tax profit and the plate producers also significantly improved their result compared to the previous year. However, a negative **pre-tax result** was posted (€ -19.5 million; first half of 2014: € -42.6 million). This is due to the clear loss recorded at HSP, which in addition also contained a € 23.1 million precautionary measure.

Sales





The still fragile economic situation around the globe and numerous political crises resulted in unsatisfactory development in general demand in the **European heavy plate market**. Above all, consumer groups with a greater dependency on exports to emerging markets, such as building and agricultural machinery manufacturers, experienced a clear decline in business due to the economic environment. Prices have been falling since the start of the year, while the nominal capacity utilization of the Eurofer sites was only at around 66% during the reporting period. Due to the weakened Euro exchange rate against the USD, export deliveries to third countries outside of the Eurozone rose slightly during the first half of the year thanks to the favorable currency conditions, while a fall in order intake was also recorded, however. Moreover, a significant rise in imports from third countries in the EU-28 was recorded. The high import pressure - particularly from China - as well as the sustained tense economic situation in Southern Europe led to clear price concessions here recently, particularly in simple grades. In the USA, the still low costs for oil and gas resulted in a considerable reluctance to invest by the energy industry. This also led to substantial cuts to planned investments in downstream sectors like power plant engineering and the pipeline industry. The lifting of the suspension of the order for the first strand of the pipeline project in the Black Sea (formerly South Stream, now TurkStream) in the end of May, as well as the announcement of the extension of the North Stream Pipeline did not lead to positive momentum in the standard product range of the plate companies yet.

The order intake and backlog of **Ilseburger Grobblech GmbH (ILG)** and **Salzgitter Mannesmann Grobblech GmbH (MGB)**, both under uniform management, exceeded the previous year's figures thanks to the strong gains made at MGB. Rolled steel production and shipments also advanced due to increased volumes at the Mülheim-based company, while development was stable at ILG. Despite the lower selling prices, sales were therefore up on the comparable period from the previous year overall. MGB generated a slightly positive result and ILG also achieved a clear improvement as a result of cost savings and a fall in input material prices year-on-year. As a consequence, this resulted in an almost balanced pre-tax result overall.

The situation in the **European section market** presented a disparate picture with regard to trading and the plants at the start of the year. Thanks to the good EUR-USD exchange rate export volumes were booked, while imports were at a low level given the weak euro. Against this backdrop, the plants recorded good capacity utilization and raised prices by 10 €/t. Selling prices stabilized from February despite the decline in scrap steel procurement prices. In the case of the stockholding steel trade, sales fell due to hesitant real demand, which resulted in price discounts and a further squeeze on margins. The steel construction business continued to contend with very poor capacity utilization and weak order intake. In the second quarter, the export options to North America were reduced. Reasons for this included price reductions by the producers based there, as well as a lack of willingness to invest by the energy sector. In core Europe, there was a general lack of projects featuring heavy sections.

Order intake in the reporting period at **Peiner Träger GmbH** (PTG) exceeded the figure recorded in the first half of 2014. Rolled steel output was also higher than a year ago, while crude steel production remained stable. Order backlog fell just short of the comparable figure from the previous year. Sales grew on the back of the expanded shipment tonnage. PTG improved its result significantly year-on-year and reached a gratifying pre-tax profit. The sections producer therefore underlined the turnaround achieved in 2014 thanks to substantial cost cutting and successful process optimization. The **DMU Group** recorded a fall in sales due to lower volumes and selling prices. Pre-tax profit improved, however, thanks to a better financial result.

Declining demand on the **sheet piling market** over years has repeatedly led to substantial losses at **HSP Hoesch Spundwand und Profil GmbH** (HSP), despite high levels of investment and ongoing restructuring endeavors. At its meeting on June 16, 2015, the Executive Board of Salzgitter AG (SZAG) decided to close down the operations of the wholly-owned subsidiary. Since efforts to sell the company to a potential purchaser with a more cost-effective supply of input material were also unsuccessful, the closure in order to avoid further negative consequences for the Group became unavoidable. The fall in sales at HSP in the reporting period resulted from a decline in shipments and selling prices. The massive pre-tax loss contained € 23.1 million in precautionary measures for a social compensation plan still to be negotiated. Around 350 employees are impacted by the discontinuation of the sheet piling product segment. The Group is committed to finding a socially-sustainable solution.

Energy Business Unit

		Q2 2015	Q2 2014	H1 2015	H1 2014
Order intake	€ m	294.5	374.1	642.4	813.5
Order backlog on reporting date ¹⁾	€ m			400.2	495.8
Crude steel production	kt	321.9	386.6	698.6	784.5
Segment sales²⁾	€ m	380.6	416.6	799.4	872.6
External sales	€ m	281.0	312.2	574.9	651.0
Earnings before taxes (EBT)	€ m	8.0	-7.5	3.3	-19.8

¹⁾Tubes

²⁾Including sales with other business units in the Group

The **Energy Business Unit** is primarily geared to serving the international project business in the area of energy supply and infrastructure and covers a wide range of line pipe diameters. The portfolio is supplemented by leading suppliers of precision steel tubes for the automotive industry and industrial applications, as well as stainless steel and nickel-based alloy tubes. Long-term customer demand will be shaped by the megatrends in the areas of "water", "energy" and "mobility".

The business unit has its own supply of crude steel in the form of a 30 % stake in Hüttenwerke Krupp Mannesmann GmbH ([HKM], technical crude steel capacity of 6 million tons) and the production of semi-finished material for the manufacturing of seamless tubes. The Energy Business Unit also makes intensive use of the Group's trading organization to procure semi-finished material and to ship its products.

The EUROPIPE Group (EP Group) is reported at equity at 50 %, with the proportionate after-tax result. It is not included in the other figures of the business unit but, given its importance, is nonetheless disclosed in the following and annotated for information purposes. HKM is reported at 30 % on a proportionate basis and is included accordingly in the order intake, sales and the result of the business unit at 30 %. Conversely, it is not reported in terms of orders on hand and shipments, as only tubes are disclosed here, and HKM produces input material.

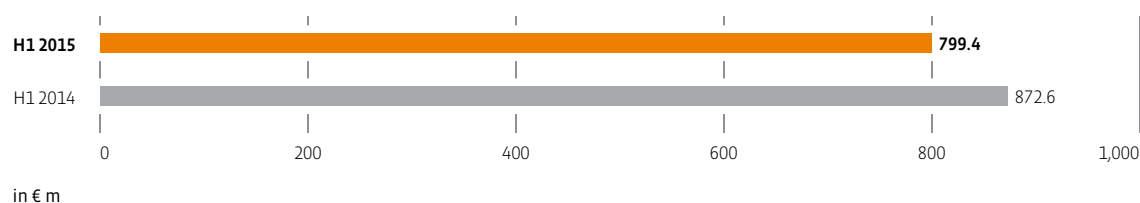
Global steel tubes market: Overall, restrained development was recorded in the second quarter 2015 after a weak start to the year. As the sustained low oil price led to a fall in exploration activities, the manufacturers of seamless steel pipes have suffered clear reductions in business. North America was hit particularly hard in this regard. In contrast, the declines in production were not as pronounced in the European Union (EU) and Germany. While the production of small welded steel tubes of up to 16" outside diameter stagnated at a high level worldwide, manufacturers of large-diameter pipes recorded growth, particularly in North America, Russia and China. In the EU, large-diameter pipe production remained on a par with the insufficient level of the previous year. On the German market, the lifting of the suspension of the pipeline project in the Black Sea (formerly South Stream, now TurkStream) had a positive effect. Supported by the automobile industry, the demand for precision steel tubes remained highly satisfactory, both in the EU and in Germany.

The **order intake** of the Energy Business Unit in the first half of 2015 was substantially weaker than in the comparable period of the previous year, as all product areas recorded a lower level of new orders. Outside of the consolidated group, new orders fell year-on-year at the 50% participation EUROPIPE, following the accounting of the large pipeline project in the Black Sea (formerly South Stream, now TurkStream) in the previous year. The **order backlog** fell, primarily due to the lower level of stainless steel pipes.

Shipments were slightly down on the figure recorded in the previous year's period. As a result, **segment** and **external sales** were also unable to match the level of the previous year.

The Energy Business Unit made it into the black again, recording a **profit** of € 3.3 million (previous year: € -19.8 million). As part of this, the EP Group was able to substantially reduce its pre-tax loss thanks to the upbeat business of US companies and despite the formation of € 10 million provisions for restructuring measures at EUROPIPE France S.A. (EPF). The line pipe companies almost halved the negative result recorded in the comparable period of the previous year.

Sales



EBT



Business development of the product segments:

The order intake of the **EP Group** was substantially down in a year-on-year comparison during the first half of 2015, as the previous year figure contained the accounting of the large South Stream order. In contrast, the order backlog was substantially up on the comparable previous year's figure, driven by the high number of new orders in America, which will ensure basic capacity utilization until mid-2016. In May 2015, the suspension of the pipeline project in the Black Sea (formerly South Stream, now TurkStream) was lifted for the first strand. The production of the roughly 110,000 t for the first pipeline still to be produced started again at the end of June. Shipments and sales rose tangibly due to the delivery of already produced volumes for the aforementioned large project, as well as the American orders. The EP Group noticeably reduced the pre-tax loss thanks to the improved situation at the US companies. Primarily as a result of the provisions formed for restructuring measures (€ 10 million) at EP France, the result remained negative.

The order situation in the area of **HFI and spiral welded pipes** remained tense due to the low oil prices. The projects that are called for tender are subject to intense pricing competition. This particularly impacted the order intake and backlog of Salzgitter Mannesmann Line Pipe GmbH (MLP) negative. Although shipments in Central European standard business stabilized, shipments and sales at MLP were substantially down on the figures posted in the previous year. In contrast, the shipped volume from Salzgitter Mannesmann Großrohr GmbH (MGR) was considerably higher than the highly unsatisfactory previous year's period due to the delivery of pre-produced project volumes, which led to a significant increase in sales. Due to the cost cutting measures introduced, both companies posted pre-tax losses considerably lower than in the comparable period of the previous year.

The development on the **precision tube market** remained gratifying due to the high demand from export-oriented German premium automobile manufacturers in the first half of 2015. The industrial field stabilized, while the Energy sector did not show any change in the general trend, despite larger volumes being recorded in certain areas. The order intake and backlog, shipments as well as sales of the Salzgitter Mannesmann Precision Group (SMP Group) were recorded at a lower level than in the previous year. Both the optimization of the process and organization structure under the "Salzgitter AG 2015" program, as well as the additional program designed to improve productivity, contributed to the company once again achieving almost break even in earnings before taxes.

Since around the start of the year, the continued reticence of the European stockholding steel trade was accompanied by a halt in investments in the oil and gas industry. As a result, the **MST Group** recorded a noticeably lower order intake than in the prior year. The order backlog fell accordingly. Existing excess capacities on the market were most recently reflected in the form of price wars, including in the previously flourishing project business for the Chinese power plant sector. Although sales remained almost stable, shipments as well as pre-tax profit fell short of last year's very strong figures.

Trading Business Unit

		Q2 2015	Q2 2014	H1 2015	H1 2014
Shipments	kt	1,426.9	1,240.4	2,770.0	2,446.6
Segment sales¹⁾	€ m	865.3	809.9	1,765.3	1,605.8
External sales	€ m	838.5	785.5	1,690.3	1,560.0
Earnings before taxes (EBT)	€ m	5.5	2.0	17.3	7.0

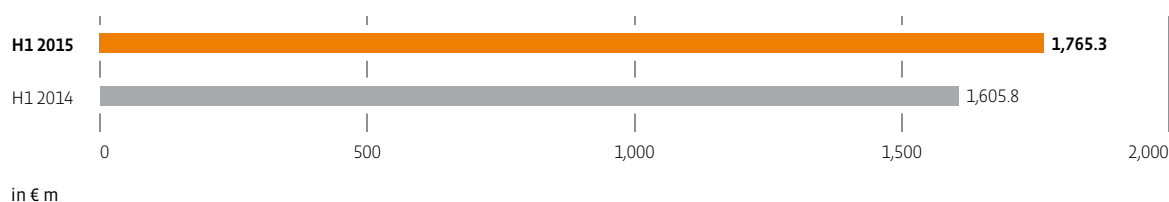
¹⁾Including sales with other business units in the Group

Alongside a well-developed organization of stockholding steel trading subsidiaries with a wide range of processing capabilities in Europe, the **Trading Business Unit** comprises companies specialized in plate, as well as an international trading network spanning the globe. Apart from the rolled steel, pipes and tubes products of the Salzgitter Group, it also sells the products from other manufacturers in Germany and abroad. Moreover, the Trading Business Unit procures input material for Group companies and external customers on the international markets.

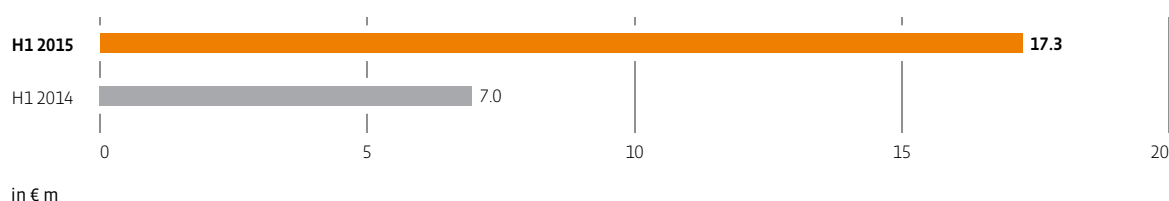
Demand on the international steel markets remained reticent in the first half of 2015 in almost all regions and product segments. The markets were characterized by little project business as well as price pressure due to excess supply. Falling raw materials prices also confounded the situation. The European market presented a similar picture. In contrast, the situation in Germany was comparatively stable. The positive development in demand in the first quarter was followed up by a fall in demand again in April and May. However, there were slight signs of recovery in June in the face of still intense competition.

Nevertheless, **shipments** at the Trading Business Unit increased sharply in the first six months of 2015 compared to the previous year's period. **Segment** and **external sales** rose accordingly. Owing largely to the pleasing pre-tax result from international trading, the business unit more than doubled **pre-tax profit** to € 17.3 million (first half of 2014: € 7.0 million).

Sales



EBT



The higher shipment volume of the **Salzgitter Mannesmann Handel Group** (SMHD Group) compared to the previous year's period resulted in increased sales. This was mainly due to the upbeat business in international trading. Better volumes resulted in pre-tax profit substantially exceeding the previous year's figure.

The shipments of the European **stockholding companies** matched the 2014 level during the first half of 2015. However, sustained pressure on market prices caused a slight drop in sales. Nevertheless, stockholding steel trade generated a positive pre-tax result and therefore tangibly increased the result year-on-year.

International trading recorded a substantial increase in shipments overall in connection with a stable order situation on individual submarkets. This led to a notable growth in sales regardless of weaker prices. Supported by an advantageous product mix, profit before taxes substantially exceeded the figure achieved in the previous year's period.

The **Universal Eisen und Stahl Group** (UES Group) continued to operate in a difficult market in Germany with uneven demand, supply running at a high level, and short delivery times. As a result, there were no signs of recovery and prices stagnated. The Group's sales declined in conjunction with the downturn in shipment tonnage. Business volumes in North America were influenced by comparably favorable demand conditions in the first few months of the year. This demand gradually weakened in line with the developments of the oil and gas industry in the U.S. and resulted in tangible pricing competition and therefore dwindling income. Overall, the UES Group's pre-tax profit, which also contains the disbursement of earnings retained over a multi-year period, substantially exceeded the figure from the previous year's period.

Technology Business Unit

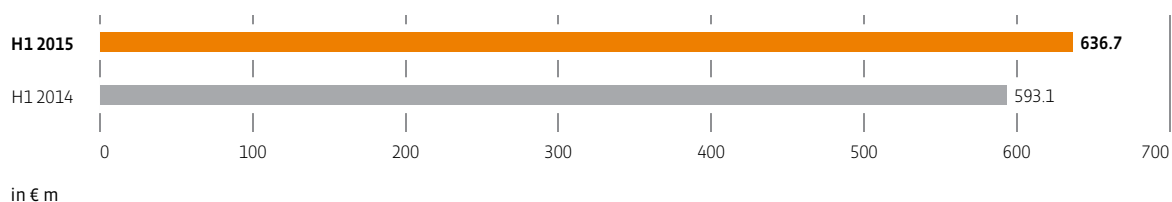
		Q2 2015	Q2 2014	H1 2015	H1 2014
Order intake	€ m	236.0	259.6	554.5	551.8
Order backlog on reporting date	€ m			555.6	599.0
Segment sales¹⁾	€ m	321.4	280.0	636.7	593.1
External sales	€ m	321.2	279.8	636.3	592.8
Earnings before taxes (EBT)	€ m	4.5	2.3	14.6	11.5

¹⁾Including sales with other business units in the Group

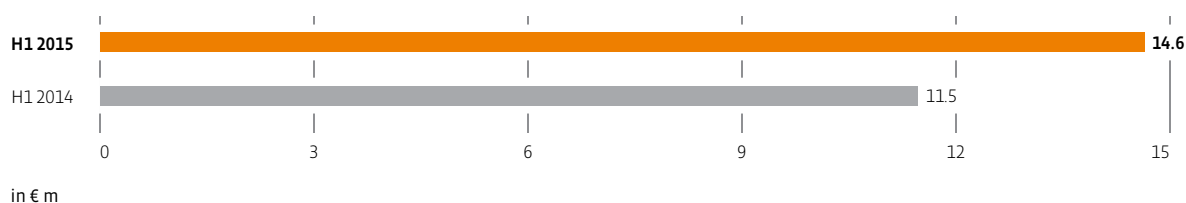
The **Technology Business Unit** comprises internationally operating mechanical engineering companies. KHS GmbH (KHSDE), a company holding a leading international position in filling and packaging technology, represents the mainstay of sales. The KHS Group is a full-line supplier, from intralogistics and processing to the filling and packaging of beverages. Other companies within the business unit sell special machinery for the shoe industry or specialize in the manufacturing of rubber and silicon injection molding machinery.

According to statistics from the German Engineering Federation (VDMA), order intake and sales within the sector were almost on a par with the previous year's levels. Domestic demand remained stable, while demand from abroad increased slightly. The development of the market for food and packaging machinery was similar.

Sales



EBT



In the first six months of 2015, the Technology Business Unit sustained the good level of **order intake** from the previous year. As part of this, the KHS Group recorded slight gains on the back of slowing momentum in project business in the second quarter, whereas the KDE Group enjoyed substantial growth. In contrast, orders received by Klöckner DESMA Schuhmaschinen GmbH (KDS) declined. The business unit's **order backlog** was lower than the comparable previous year's figure.

Segment and **external sales** increased compared to the same period in the previous year. The KDE Group reported strong sales growth based on the recovery in capital expenditure in the automotive sector. Sales also rose at the KHS Group, while KDS recorded a slight decline.

In the first six months of 2015, the Technology Business Unit generated a presentable **pre-tax profit** of € 14.6 million, representing an increase compared with the previous year's period (€ 11.5 million). The KHS Group was able to lift its profit thanks to the expanded service business and a periodic dividend income. The KDE Group also more than doubled its earnings, while KDS' pre-tax profit came in lower year-on-year.

The KHS Group is consistently pursuing measures to further develop its business. The "Fit4Future 2.0" program launched in 2015 with this aim in mind comprises 14 components.

Industrial Participations / Consolidation

		Q2 2015	Q2 2014	H1 2015	H1 2014
Sales¹⁾	€ m	208.0	185.6	411.8	408.1
External sales	€ m	48.7	46.0	97.7	93.2
Earnings before taxes (EBT)	€ m	25.0	32.5	43.7	46.6

¹⁾Including sales with other business units in the Group

Industrial Participations/Consolidation comprises activities that are not directly allocated to a business unit. As a management holding company, Salzgitter AG (SZAG) 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 as well as the Aurubis investment are held. Furthermore, the results of the companies that operate primarily within the Group are disclosed here, along with Group companies that support the core activities of the business units with their products and services.

The **sales** of Industrial Participations/Consolidation that are generated mainly by business in semi-finished products and services provided for subsidiaries stood at € 411.8 million in the reporting period (previous year's period: € 408.1 million), representing a slight increase in a year-on-year comparison. External sales also climbed to € 97.7 million compared with € 93.2 million in the previous year's period.

Earnings before taxes came in at € 43.7 million, which was somewhat lower than in the same period of the previous year (first 6 months of 2014: € 46.6 million). This amount includes income of € 16.4 million from the Aurubis investment (previous year: € 39.2 million). This figure is made up of the proportionate Aurubis after-tax result, as well as the valuation result of the convertible bond that mainly depends on the price performance of the Aurubis share, among other factors. In addition, the Group companies not directly allocated to a business unit made a positive contribution to the result overall, substantially exceeding the previous year's figure. Positive valuation effects from foreign exchange transactions further bolstered the result.

Financial Position and Net Assets

Notes to the Balance Sheet

The **total assets** of the Salzgitter Group rose by € 77 million in the current reporting period compared with December 31, 2014.

Non-current assets (€ -52 million) declined due to the negative valuation results of the companies reported in accordance with the equity method pursuant to IFRS (€ -16 million). Another aspect was the scheduled depreciation of fixed assets (€ -167 million) was higher than investments of € 143 million. The growth in current assets (€ +129 million) resulted mainly from the higher level of trade receivables (€ +205 million).

On the **liabilities side**, pension provisions were valued € 85 million lower due to an increase in the actuarial rate derived from the current level of capital market rates to 2.25 %, compared to 2.0 % in 2014 and 1.5 % in the first quarter 2015. Equity rose on the back of this change (€ +93 million), while the equity ratio improved to 34.6 %. Overall, non-current liabilities only increased by € 51 million. The rise in current personnel provisions (€ +25 million) is largely attributable to precautionary measures for the intended shutdown of the sheet piling company HSP. In addition, other liabilities increased (€ +34 million). In contrast to this, trade payables fell substantially (€ -140 million), which resulted in a reduction of current liabilities by € 67 million overall.

The **net credit balance** decreased to € 178 million by the end of the reporting period (December 31, 2014: € 403 million). A negative cash flow from operating activities was reported, primarily as a result of raising working capital.

Cash investment, including securities, (€ 1.04 billion) was offset by liabilities of € 862 million (December 31, 2014: € 694 million), of which € 342 million (December 31, 2014: € 342 million) was owed to banks. As part of the successful issuing of a new convertible bond worth € 168 million, obligations from convertible and exchangeable bonds increased to € 521 million.

Notes to the cash flow statement

Despite the pleasing positive result of ordinary activities totaling € 80.2 million, a negative **cash flow from operating activities** of € 12 million was posted. Compared to the figure from the previous year's period (€ +119 million), this development was caused by a greater increase in receivables as well as a reduction in liabilities.

Cash outflow from investing activities (€ -261 million) principally reflected disbursements for investments in property, plant and equipment (€ -153 million). In addition, compared to the previous year, cash outflow for cash investment rose (€ -112 million).

A **cash inflow from financing activities** was recorded (€ +135 million) following the issuing of a new convertible bond worth € 168 million.

Cash and cash equivalents declined by € 136 million compared with December 31, 2014.

Investments

In the first six months of the financial year 2015, **investments in property, plant and equipment and intangible assets** stood at € 143.0 million, which exceeds the figure recorded in the previous year's period (€ 111.4 million). Depreciation and amortization (€ -166.9 million) settled around the level of the previous year (€ -168.8 million).

In 2015, the **Strip Steel Business Unit** has focused its capital expenditure on procuring new aggregates as well as on optimizing and extending existing facilities. To this end, the following projects were advanced in particular in the first half of the year:

In order to reduce metallurgy costs, **Salzgitter Flachstahl GmbH** (SZFG) started the construction of a pulverized coal injection plant in 2013 that enables the substitution of oil and coke sourced externally for pulverized coal. Following successful installation, commissioning was carried out according to plan on March 23, 2015 and the first coal volumes injected into the blast furnace. The break-in stage under production conditions is proceeding according to plan.

SZFG is investing € 80 million in the construction of a Ruhrstahl-Heraeus facility for producing decarburized and desulphurized steels and grades meeting the highest purity demands. This measure will clear the capacity bottleneck in secondary metallurgy. The project is currently in the engineering stage. The facilities are due to enter operations in 2017.

A further project entails the "Relining of Blast Furnace B". The refractory linings of a blast furnace are exposed to wear and tear during operation and need to be replaced after several years. This measure is exclusively a replacement investment. Plans have been made to implement the measure from the end of August 2015 over a period of around 90 days. Preparations are going to plan.

The "Converter C Renewal" investment measure involves enlarging the vessel by around 50 m³ and improving the drive concept. An additional aim of this replacement investment is to optimize output volumes, while reducing operating costs. The first technical system components have already been manufactured, and installation will be carried out in parallel with the relining of Blast Furnace B.

During the blowing process on the converters, hot steel gas is generated and captured in a boiler system, cooled, refined and recovered for thermal reuse. A technical conversion of the cooling system enables a reduction of around 12% in the boiler system's energy consumption that, in turn, lowers the required procurement of natural gas, as well as the CO₂ emissions. All three converter boilers are to be switched to this new technology by the start of 2017.

During the reporting period, smaller, targeted investments were made in the **Plate/Section Steel Business Unit**, specifically at **Ilseburger Grobblech GmbH** (ILG) in order to enhance quality and optimize processes.

The **Energy Business Unit** is primarily focusing on replacement and supplementary investments in 2015. This includes extending the extrusion press at the Montbard mill of the **Salzgitter Mannesmann Stainless Tubes Group** (MST Group), which has been planned for the summer. This measure will lay the foundations for rounding out the product portfolio in the medium term to include seamless stainless steel tubes in larger dimensions. In addition, the **Salzgitter Mannesmann Precision Group** (SMP Group) plant in Saint Florentin ordered the new heat treatment system. Trial operations are to commence at the start of 2016. This system will mainly temper the next generation of hybrid airbags. **Salzgitter Mannesmann Rohr Sachsen GmbH** (MRS) is investing in renewing the automation of the tube cut-off unit. The first stage was successfully completed at the start of 2015.

In the current financial year, the **Trading Business Unit** continued to concentrate its investment activities on maintaining and modernizing existing facilities. The project initiated by **Salzgitter Mannesmann Stahlhandel GmbH** (SMSD) to expand the finishing capacities of the German stockholding steel trade, as exemplified by extending the flame cutting operations at the Plochingen site and adding to the warehouse capacities for the tubes business in Mannheim, is proceeding to plan.

In 2015, the **Technology Business Unit** continued to focus on replacement and streamlining measures geared to sustainably promoting competitive strengths. IT projects are currently being carried out at the **KHS-Group** in Germany and in its international companies to optimize workflows. The extensive "Product Configurator" project launched in 2012 enables an even more efficient tendering of quotations and processing of orders based on products and processes that are highly standardized. Implementation is being carried out in close coordination with the Customer Relationship Management (CRM) system. Significant progress has been made in implementing the CRM system, and the testing and introduction phase for pilot applications is now imminent. Emulating the successful approach to lean manufacturing adopted in the Kleve and Worms plants as well as in parts of the Bad Kreuznach and Dortmund plants, the comprehensive upgrading of the Bad Kreuznach location over a number of years has begun. Due to the sustained growth of PET business, a further hall will be added to the Hamburg and Kleve sites respectively.

Research and Development

Salzgitter Mannesmann Forschung GmbH (SZMF) is the central research company of the Strip Steel, Plate/Section Steel and Energy business units. Its R&D activities focus on materials development and processing, as well as on application, coating and testing technologies. In addition to Salzgitter Group companies, customers include external companies, such as companies from the steel processing industry, machinery and plant engineering, energy technology, the automotive industry, as well as the construction industry.

Development of dual-phase steel with maximum strength

Together, Salzgitter Flachstahl GmbH (SZFG) and SZMF have developed a maximum-strength, cold-rolled and hot-dipped dual-phase steel. Target customers from steel service centers and the automotive supplier industry can be supplied with a thickness of 1.00 mm to 2.00 mm, and strip widths of between 900 mm and 1,350 mm. The new steel not only fulfills the properties specified in the Euronorm, but also the stricter requirements of automobile manufacturers. Thanks to its superior processing, this innovative product provides SZFG with unique selling points on the European steel market. This results from its particularly good hole expansion capability, which is becoming increasingly important among many customers. Hole expansion describes the risk of a material cracking around the edges during forming. These steels feature the additional name “xpan[®]”.

Best Practice Label from dena

In summer 2014, the German Energy Agency (dena) awarded SZFG with the Best Practice Label for energy-efficient pig iron production. This certification was granted in acknowledgement of the substantial reduction in the power consumption of blast furnace operations following an expansion turbine entering service on blast furnace B. Now in 2015, SZFG is applying for the Best Practice Label for energy-efficient crude steel production. The application is based on efforts to optimize steel gas generation, which includes the already completed replacement of the vessel in converter A and an intensive internal monitoring system. As a result, in 2014, 15 GWh of electrical energy was saved in the BOF shop or additionally recovered.

Large-diameter pipes for sour gas applications remain intact after plastic deformation

In the transport of media containing hydrogen sulfide such as oil and gas, large-diameter pipes have to meet special demands in terms of sour gas service. Plastic deformation can occur when laying pipes or as a result of external influences during the operation phase. The influence of this deformation on the sour gas resistance was yet to be fully clarified up to now. SZMF has developed an innovative 4-point bending test that enables an additional 2 % plastic deformation of the test samples, in addition to the tension normally applied to the elastic section of the pipe material. One particular challenge centered on adapting the necessary testing equipment.

The findings from the corresponding testing on large-diameter pipes by EUROPIPE GmbH (EP) enable the points of failure for the transport of media containing sour gas in connection with additional plastic deformation to be assessed more precisely and therefore optimally designed for customers.

New packaging solution avoids packaging waste

Consumers in Europe are increasingly demanding that products are not only available in multipacks, but also as individual products. The KHS Group is offering the beverage, food and non-food industries a sustainable packaging solution to cater to this trend with the new Innpack Kisters DP (Displaypacker) machine series. On customer request, the new development can be extended into a block-unit, space-saving overall system. During the can, glass and PET bottle packaging process, there is no need for secondary packaging material. Individual products, as well as pre-packed small and large volumes are placed on cardboard packaging and then stacked on pallets ready for dispatch. In this way, the KHS Group is meeting the increasing demands from retailers to sell in a simple and cost efficient manner directly from pallets, particularly with regard to beverage and food products. For consumers, the ability to pick out individual products simply and effortlessly is just as much a plus point as the elimination of packaging material.

Employees

	2015/06/30	2014/12/31	Change
Core workforce¹⁾	23,542	23,555	- 13
Strip Steel Business Unit	6,183	6,192	- 9
Plate / Section Steel Business Unit	3,029	3,108	- 79
Energy Business Unit	4,964	4,959	5
Trading Business Unit	1,876	1,888	- 12
Technology Business Unit	4,987	4,899	88
Industrial Participations / Consolidation	2,503	2,509	- 6
Apprentices, students, trainees	1,288	1,548	- 260
Non-active age-related part-time employment	458	426	32
Total workforce	25,288	25,529	- 241

In light of prorata shareholdings, rounding differences can occur

¹⁾ Excluding the members of executive and non-executive bodies

The **core workforce** of the Salzgitter Group totaled 23,542 employees on June 30, 2015, representing a decrease of 13 staff members since December 31, 2014. However, taking over a total of 243 trainees from January to the end of June had a positive impact on the total workforce, in addition to other factors. 177 of these trainees were awarded temporary employment contracts. Entries into the passive phase of age-related part-time work and the reaching of the retirement age incurred the main countering effects. The **total workforce** comprised 25,288 employees.

The number of **temporary employees** stood at 1,438 on June 30, representing an increase of 241 year-on-year, although the previous year figure did not reflect changes to the consolidated group as of September 30, 2014 that entered into force retrospectively as of January 1, 2014.

All in all, the implementation of the personnel-related effects identified under our “**Salzgitter AG 2015**” streamlining program is generally progressing according to plan. As of June 30, 2015, around 84 % of all the personnel adjustments had been carried out, mainly focusing on Peiner Träger GmbH (PTG) and the Salzgitter Mannesmann Precision Group (SMP Group). In addition to the personnel adjustments realized under “**Salzgitter AG 2015**”, the following effects, among others, are also noteworthy: The number of employees working for international KHS companies has risen in parallel with the expansion of the business. The positive development in capacity utilization at Salzgitter Mannesmann Stainless Tubes Group (MST Group) also necessitated hiring additional staff.

On June 16, 2015, the Executive Board of Salzgitter AG (SZAG) decided to discontinue the operations of **HSP Hoesch Spundwand and Profil GmbH (HSP)**. Based on this decision, discussions are currently taking place with the respective employee representatives on how to proceed. The discussions are due to be completed in September 2015.

SZAG supported the IdeenExpo held in Hannover from July 4 to 12, once again acting as a premium sponsor and exhibitor. Over 350,000 guests attended the interactive event revolving around science and technology. The IdeenExpo event is primarily aimed at young people and school pupils who will be considering different careers. SZAG presented steel as a material, as well as its fields of application, and also showcased the range of professions available in science-related and technical fields, as well as career entry opportunities within the Group.

Guidance, Opportunities and Risk Report

Guidance on the development of the macroeconomic situation is already fundamentally subject to a great deal of uncertainty, particularly in the current political and financial environment. The forward-looking statements below on the individual business units assume the absence of renewed recessionary developments in Europe. Instead, we anticipate a relatively moderate economic recovery in our main markets during the current financial year, with these markets remaining fiercely contested.

The **Strip Steel Business Unit** expects a clearly negative result for the third quarter. The reason for this is the blast furnace relining commencing in August at Salzgitter Flachstahl GmbH, which will lead to roughly € 80 million in one-off burdens in the second half of the year. Savings on the cost front, thanks to the commencement of regular operations at the new pulverized coal injection plant among other things, will naturally be unable to offset this completely. Overall, it is assumed that sales will be lower than in the financial year 2014. Without these negative effects, a return to the profit zone could have been expected. Including the direct and indirect impacts of relining the blast furnace, the business unit's pre-tax result will, however, fall notably short of the figure reported in 2014.

The **Plate / Section Steel Business Unit** will continue to operate in a difficult market environment in the current financial year. The heavy plate mills anticipate a tangible improvement in earnings, despite the tough price competition, due to the recommencement of the pipeline project in the Black Sea (former South Stream), among other factors. Following the turnaround, the primary aim of Peiner Träger GmbH will be to continue to further stabilize its business, also under difficult market conditions. Taking account of the general market environment and in conjunction with the special situation at HSP Hoesch Spundwand GmbH (HSP), the development of the business unit's sales and earnings are subject to considerable imponderables. The business unit will nonetheless be aiming at substantially improving the pre-tax result, which will include the one-off expenses for HSP. Sales, however, are likely to decline slightly.

The **Energy Business Unit** is suffering from the weak European market for large-diameter pipes in 2015, despite the lifting of the suspension of the South Steam project. In contrast, the situation in North America presents a positive picture, as the order backlog here has secured capacity utilization far into the year 2016. The precision tubes companies expect stable demand from automotive manufacturers, while orders from the energy and industry product segments will remain fiercely contested. Due to the low oil price, the seamless stainless steel tubes business anticipates a weaker order level after a highly successful 2014. The Energy Business Unit is expecting sales to fall short of the previous year's level in 2015. Irrespective of the shortfall in the capacity utilization of European large-diameter pipe production sites, the pre-tax result is expected to improve due to the rigorous implementation of the measures under the "Salzgitter AG 2015" program and the non-recurrence of one-off charges.

The **Trading Business Unit's** stockholding steel trade anticipates rising earnings based on the expected stabilization of prices and demand conditions in Europe. In view of the profitable business to date, international trading is expecting a satisfactory result. All in all, we anticipate a lower level of sales for the Trading Business Unit, as well as a satisfactory, although notably lower year-on-year pre-tax profit due to positive one-off effects in 2014 that were not repeated this year.

In the **Technology Business Unit**, KHS anticipates the continuation of the pleasing development of its service business. The outlook for the KDS and the KDE Group is also very promising. However, KDS will be unable to sustain the record levels of the previous year. In combination with slowed momentum in project business at KHS, the Technology Business Unit will find it challenging to maintain the sales and earnings level of the previous year.

Based on planning by the individual business units, and taking account of further positive effects from the “Salzgitter AG 2015” program, we continue to assume the following for the **Salzgitter Group** in 2015:

- stable **sales**,
- a **pre-tax profit** in the lower to mid-double-digit million euro range and
- a return on capital employed (**ROCE**) that is higher than the previous year's figure.

As in recent years, please note 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 2015. The resulting fluctuation in the consolidated pre-tax result may, as current events show, be within a considerable range, either to the positive or to the negative. The scale of this range becomes clear if one considers that, with around 12 million tons p.a. of steel products sold by the Strip Steel, Plate / Section Steel, Energy and Trading Business Units, an average € 25 change in the margin per ton is sufficient to cause a variation in the annual result of more than € 300 million. Moreover, the accuracy of the company's planning is restricted by the volatile cost of raw materials and shorter contractual durations on the procurement side, as well as on the shipments side.

Risk Management

With regard to the individual **opportunities and risks**, please refer to the Annual Report 2014. At the time of reporting, there were no risks that could endanger the Salzgitter Group as a going concern.

In terms of risks arising from strained market conditions, including the volatility of raw materials prices, the effects on the results of the companies have been factored in, to the extent they can be estimated. Given the downtrend in ore and coal prices, we do not anticipate any risks in raw materials procurement from the current perspective.

The risk situation associated with climate and energy policies has remained unchanged in principle from the status described in the Annual Report 2014. Due to the evaluation proviso under the amended EEG (German Renewable Energies Act) concerning electricity generated for own consumption, we continue to see a risk of additional burdens of up to around € 140 million a year from 2017 onward. Furthermore, our Group will likely have to purchase CO₂ allowances for the fourth ETS trading period commencing 2021. Indirectly associated with this is the risk of a price increase in electricity sourced externally. In terms of these two aspects, we still assess the risk to be in the order of approximately € 150 million a year. We view the probability of occurrence as being likely due to the nature of EEG and CO₂ emissions trading.

With regard to the latter, the recent proposal from the EU Commission for adjusting the emissions trading guideline supports this assessment. The amount of loss will hinge on the development of the political environment.

Events of Significance

“Salzgitter AG 2015” – Implementation of measures continues

In a market environment continuously determined by the structural crisis in Europe's steel industry, the “Salzgitter AG 2015” program is geared towards securing the competitiveness of the Salzgitter Group. The implementation of the package of measures yielding an overall potential of more than € 200 million a year is proceeding as originally planned. Around 75 % of the planned potential earnings improvements will be achieved by the end of 2015. The final implementation of the program is still due to be completed by 2016, according to planning.

As part of “Salzgitter AG 2015”, we are also investing in our systems and facilities in an effort to enhance efficiency. To this end, the new pulverized coal injection plant at Salzgitter Flachstahl GmbH (SZFG), the break-in stage of which began under production conditions in April, will substantially reduce the costs of pig iron production.

Long-term market developments necessitate additional structural measures

Discontinuation of the sheet piling product segment

At its meeting on June 16, 2015, the Executive Board of Salzgitter AG (SZAG) decided to discontinue the operations of HSP Hoesch Spundwand and Profil GmbH (HSP), a wholly-owned subsidiary of SZAG. The company produces steel sections used primarily in water engineering, road and railway construction, civil engineering and environmental protection. Declining demand for these products over a period of years has repeatedly led to substantial losses, despite high levels of investment and restructuring endeavors. Since efforts to sell the company to a purchaser with a more cost-effective supply of input material were also unsuccessful, the closure in order to avoid further negative consequences for the Group became unavoidable. Approximately 350 employees are affected by the measure. The Group is committed to finding a socially-compatible solution. In the financial year 2015, we anticipate the costs of winding down operations to be in the mid-double-digit million euro range.

Restructuring process at EUROPIPE France S.A.

Against the backdrop of long-standing and considerable financial problems, EUROPIPE France S.A. (EPF), a wholly-owned subsidiary of EUROPIPE GmbH (EP), is continuing the process of restructuring introduced a year ago. The social compensation plan produced as part of the restructuring efforts for EPF was approved by the French labor administration in June 2015.

Salzgitter AG issues convertible bond

With a view to further diversifying its financing sources, SZAG successfully placed an unsubordinated, unsecured convertible bond with a volume of around € 168 million and a zero coupon in June 2015. The bond will have a maturity of seven years. SZAG intends to use the proceeds for general company purposes.

Interim Financial Statement

I. Consolidated Income Statement

In € million	Q2 2015	Q2 2014	H1 2015	H1 2014
Sales	2,241.8	2,248.3	4,529.6	4,549.3
Increase/decrease in finished goods and work in process/other own work capitalized	2.7	-4.1	-9.3	4.2
	2,244.5	2,244.3	4,520.3	4,553.5
Other operating income	43.7	73.6	139.8	131.8
Cost of materials	1,500.5	1,591.6	3,018.1	3,220.6
Personnel expenses	438.0	392.5	842.4	777.1
Amortization and depreciation of intangible assets and property, plant and equipment	84.3	85.1	166.9	168.8
Other operating expenses	229.2	244.7	552.4	483.9
Income from shareholdings	0.2	3.4	7.1	5.4
Result from investments accounted for using the equity method	11.2	19.7	27.1	-1.9
Finance income	4.0	7.6	11.4	17.1
Finance expenses	23.1	30.2	45.6	59.6
Earnings before taxes (EBT)	28.4	4.5	80.2	-4.2
Income tax	19.8	7.1	38.8	11.7
Consolidated net income/loss	8.6	-2.6	41.3	-15.9
Appropriation of profit				
Consolidated net income/loss	8.6	-2.6	41.3	-15.9
Profit carried forward from the previous year	-	-	12.1	12.1
Minority interests in consolidated net loss/income for the year	1.4	1.0	2.6	1.9
Dividend payment	-	-10.8	-10.8	-10.8
Transfer from (+)/to (-) other retained earnings	-7.2	3.6	-38.7	17.8
Unappropriated retained earnings	-	-10.8	1.3	1.3
Earnings per share (in €) – basic	0.14	-0.07	0.72	-0.33
Earnings per share (in €) – diluted	0.14	-0.07	0.72	-0.33

II. Statement of Comprehensive Income

In € million	Q2 2015	Q2 2014	H1 2015	H1 2014
Consolidated net income/loss	8.6	-2.6	41.3	-15.9
Recycling				
Changes in currency translation	-9.1	2.0	13.9	1.5
Change in value from hedging transactions				
of which changes in fair value recorded directly in equity	2.5	-13.2	-39.1	-12.5
of which settled hedging transactions accounted as basis adjustment	9.5	-	17.4	-
of which recognition of sale of securities with effect on income	-2.2	-0.2	-2.2	-0.1
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	-1.6	1.1	-0.6	1.0
Recognition from the sale of securities with effect on income	-	-	-	-
Adjustments from investments accounted for using the equity method				
of which changes in fair value recorded directly in equity	-1.4	-	-13.1	-0.1
of which with effect on the income	-	-	-	-
of which from currency translation	-1.4	-	7.0	-
thereof from deferred taxes	2.4	-	2.6	-
Deferred taxes on changes without effect on income	2.6	-0.4	2.5	-0.6
Subtotal	1.1	-11.1	-11.6	-10.7
Non-recycling				
Remeasurement of pensions	270.0	-	85.0	-
Adjustments from investments accounted for using the equity method	-7.7	-	-28.1	-
Deferred taxes on changes without effect on income	-	-	-	-
Subtotal	262.3	-	56.9	-
Other comprehensive income	263.5	-11.1	45.3	-10.7
Total comprehensive income	272.1	-13.7	86.6	-26.6
Total comprehensive income due to Salzgitter AG shareholders	270.6	-14.7	84.1	-28.5
Total comprehensive income due to minority interests	1.5	1.0	2.6	1.9
	272.1	-13.6	86.6	-26.6

III. Consolidated Balance Sheet

Assets in € million	2015/06/30	2014/12/31
Non-current assets		
Intangible assets	102.1	106.3
Property, plant and equipment	2,369.4	2,387.3
Investment property	21.5	21.6
Financial assets	157.8	160.6
Investments accounted for using the equity method	586.4	602.1
Deferred income tax assets	285.9	295.8
Other receivables and other assets	0.0	1.4
	3,523.1	3,575.1
Current assets		
Inventories	2,013.3	1,991.5
Trade receivables	1,851.7	1,646.6
Other receivables and other assets	400.5	374.4
Income tax assets	21.6	17.7
Securities	122.0	113.6
Cash and cash equivalents	638.3	774.0
	5,047.3	4,917.8
	8,570.4	8,492.9
Equity and liabilities in € million	2015/06/30	2014/12/31
Equity		
Subscribed capital	161.6	161.6
Capital reserve	257.1	238.6
Retained earnings	2,907.9	2,825.1
Unappropriated retained earnings	1.3	12.1
	3,328.0	3,237.4
Treasury shares	-369.7	-369.7
	2,958.3	2,867.7
Minority interests	10.4	7.8
	2,968.7	2,875.5
Non-current liabilities		
Provisions for pensions and similar obligations	2,335.8	2,442.2
Deferred tax liabilities	10.9	9.4
Income tax liabilities	137.2	132.9
Other provisions	320.6	327.9
Financial liabilities	317.2	180.0
Other liabilities	44.8	23.0
	3,166.4	3,115.4
Current liabilities		
Other provisions	336.6	310.9
Financial liabilities	579.8	568.5
Trade payables	1,010.6	1,150.7
Income tax liabilities	57.7	55.4
Other liabilities	450.6	416.5
	2,435.3	2,502.0
	8,570.4	8,492.9

IV. Cash Flow Statement

In € million	H1 2015	H1 2014
Earnings before taxes (EBT)	80.2	-4.2
Depreciation, write-downs (+)/write-ups (-) of non-current assets	166.9	168.8
Income tax paid (-)/refunded (+)	-23.3	-43.2
Other non-cash expenses (+)/income (-)	147.5	63.9
Interest expenses	45.1	59.3
Gain (-)/loss (+) from the disposal of non-current assets	3.1	0.8
Increase (-)/decrease (+) in inventories	-11.3	7.5
Increase (-)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	-246.9	-171.0
Use of provisions affecting payments, excluding income tax provisions	-118.8	-124.8
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investment or financing activities	-54.5	162.0
Cash outflow/inflow from operating activities	-12.1	119.0
Cash inflow from the disposal of fixed assets	0.7	5.2
Cash outflow for investments in intangible assets and property, plant and equipment	-153.1	-148.6
Cash inflow (+)/outflow (-) for/from investments of funds	-112.1	-23.5
Cash inflow from the disposal of financial assets	6.7	8.2
Cash outflow for investments in financial assets	-3.1	-5.3
Cash flow from investment activities	-260.9	-164.0
Cash outflow in payments to company owners	-10.8	-10.8
Cash inflow (+)/outflow (-) as a result of the issuing of bonds, borrowings and other financial liabilities	152.2	31.4
Interest paid	-6.7	-6.8
Cash outflow/inflow from financing activities	134.7	13.8
Cash and cash equivalents at the start of the period	774.0	754.9
Gains and losses from changes in foreign exchange rates	2.6	1.0
Payment-related changes in cash and cash equivalents	-138.3	-31.2
Cash and cash equivalents at the end of the period	638.3	724.7

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 2013/12/31	161.6	238.6	-369.7	3,694.5	-17.9
Total comprehensive income	-	-	-	0.0	1.5
Dividend	-	-	-	-	-
Group transfers to(+)/from(-) retained earnings	-	-	-	-17.8	-
Other	-	-	-	-0.0	-
As of 2014/06/30	161.6	238.6	-369.7	3,676.6	-16.4
As of 2014/12/31	161.6	238.6	-369.7	3,649.7	-2.3
Total comprehensive income	-	-	-	0.1	13.9
Dividend	-	-	-	-	-
Group transfers to(+)/from(-) retained earnings	-	18.5	-	38.7	-
Other	-	-	-	-0.0	-
As of 2015/06/30	161.6	257.1	-369.7	3,688.5	11.6

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
-2.1	-11.3	-527.0	12.1	3,178.8	8.1	3,186.9
-12.6	1.0	-0.6	-17.8	-28.5	1.9	-26.6
-	-	-	-10.8	-10.8	-	-10.8
-	-	-	17.8	-	-	-
-	-	1.4	-	1.3	-2.8	-1.4
-14.7	-10.2	-526.2	1.3	3,140.9	7.2	3,148.1
-27.6	-6.1	-788.7	12.1	2,867.7	7.8	2,875.4
-23.9	-0.6	55.9	38.7	84.1	2.6	86.6
-	-	-	-10.8	-10.8	-0.0	-10.8
-	-	-	-38.7	18.5	-	18.5
-	-	-1.2	-	-1.2	0.1	-1.0
-51.4	-6.8	-733.9	1.3	2,958.3	10.4	2,968.7

Notes

Segment Reporting

In € million	Strip Steel		Plate / Section Steel		Energy	
	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014
External sales	1,030.1	1,095.6	500.2	556.5	574.9	651.0
Sales to other segments	336.3	363.5	447.9	387.2	60.5	67.2
Sales to Group companies that cannot be allocated to an operating segment	1.0	0.7	0.5	0.5	164.0	154.3
Segment sales	1,367.4	1,459.9	948.6	944.2	799.4	872.6
Interest income (consolidated)	1.7	1.3	0.2	0.0	0.3	0.5
Interest income from other segments	-	-	-	0.0	-	-
Interest income from Group companies that cannot be allocated to an operating segment	0.1	0.0	0.1	-	0.4	0.5
Segment interest income	1.7	1.3	0.3	0.0	0.7	1.0
Interest expenses (consolidated)	8.1	9.4	1.6	2.0	4.8	5.0
Interest expenses to other segments	-	-	-	-	-	-
Interest expenses to Group companies that cannot be allocated to an operating segment	17.0	19.3	6.8	8.1	3.7	3.8
Segment interest expenses	25.0	28.7	8.4	10.0	8.4	8.8
of which interest portion of allocations to pension provisions	6.4	7.6	1.5	1.8	2.4	3.2
Depreciation/amortization of tangible and intangible fixed assets	85.1	85.2	22.7	27.2	29.1	27.8
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	85.1	85.2	22.7	27.2	29.1	27.8
EBIT before depreciation and amortization (EBITDA)	129.1	105.7	11.3	-5.4	40.1	15.8
Earnings before interest and taxes (EBIT)	44.0	20.5	-11.4	-32.6	11.0	-11.9
Segment earnings before taxes (EBT)	20.7	-6.9	-19.5	-42.6	3.3	-19.8
of which result from investments accounted for using the equity method	-	-	-	-	-10.1	-14.6
Investments in property, plant and equipment and intangible assets	68.3	53.8	19.3	15.6	29.9	21.2

Trading		Technology		Total segments		Industrial Participations/ Consolidation		Group	
H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014
1,690.3	1,560.0	636.3	592.8	4,431.9	4,456.0	97.7	93.2	4,529.6	4,549.3
74.9	45.7	0.3	0.3	920.0	863.9	314.1	314.9	1,234.1	1,178.8
0.0	0.0	-	-	165.5	155.5	-	-	165.5	155.5
1,765.3	1,605.7	636.7	593.1	5,517.4	5,475.4	411.8	408.1	5,929.2	5,883.5
2.3	2.3	1.5	1.4	6.0	5.5	5.3	9.2	11.4	14.7
0.0	-	-	-	0.0	0.0	28.4	45.7	28.4	45.7
0.3	-	0.0	0.0	0.9	0.5	-	-	0.9	0.5
2.6	2.3	1.5	1.4	7.0	6.1	33.7	54.9	40.7	60.9
5.0	3.6	1.4	1.6	20.9	21.6	24.3	37.5	45.1	59.1
-	-	-	-	-	-	0.9	-4.1	0.9	-4.1
0.7	4.9	0.3	0.4	28.4	36.4	-	-	28.4	36.4
5.7	8.4	1.7	2.0	49.2	58.0	25.2	33.4	74.4	91.3
1.1	1.5	1.2	1.6	12.6	15.6	11.0	17.3	23.6	33.0
4.9	4.4	11.4	12.1	153.2	156.7	13.7	12.1	166.9	168.8
4.9	4.4	11.4	12.1	153.2	156.7	13.7	12.1	166.9	168.8
25.2	17.5	26.2	24.2	232.0	157.7	48.9	51.4	280.8	209.1
20.3	13.1	14.8	12.0	78.7	1.0	35.2	39.3	113.9	40.4
17.3	7.0	14.6	11.5	36.5	-50.9	43.7	46.7	80.2	-4.2
-	-	-	-	-10.1	-14.6	37.2	12.7	27.1	-1.9
6.1	4.0	6.8	9.0	130.5	103.6	12.5	7.8	143.0	111.4

Principles of accounting and consolidation, balance sheet reporting and valuation methods

1. The consolidated financial statements of Salzgitter AG, Salzgitter (SZAG), for the reporting period from January 1 to June 30, 2015, have been prepared as a condensed report with selected notes. The report has been drawn up, as previously, in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), taking into account the requirements set out under IAS 34 for condensed interim reports.
2. In comparison with the annual financial statements as of December 31, 2014, no changes have been made in the accounting, valuation, calculation and consolidation methods applied to the interim financial statement for the period ending June 30, 2015.
3. In calculating the present value of defined pension obligations as of June 30, 2015, an actuarial rate of 2.25 % was applied (December 31, 2014: 2.00 %). The resulting reduction in provisions for pensions and similar obligations is reported in other comprehensive income (pension revaluation) and results in a corresponding increase in equity.

Selected explanatory notes to the income statement

1. Sales by business segment 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 SZAG, came to € 0.72 in the period under review. Dilution would occur if earnings per share were reduced through the issuing of potential shares from option and conversion rights. Such rights, attached to two convertible bonds, existed as of the balance sheet 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 € 0.72.

Disclosures on fair value

Fair value disclosures comply with the standards set out under IFRS 13 “Fair Value Measurement”. A significant deviation between the book value and fair value results from the reporting of two convertible bonds and a bond exchangeable into shares at amortized cost.

The calculation of fair value disclosures for financial assets and liabilities not accounted for at fair value is always carried out by discounting future cash flows. In this instance, a term-dependent interest rate is applied that reflects the risk-free interest rate and the default risk derived from a peer group of the Salzgitter Group. Deviating from this, the fair value (€ 307.4 million) of a issued bond was calculated. This fair value was derived from the market value of the bond while eliminating the embedded derivative. The embedded derivative was measured using a generally recognized method (Black-Scholes). This value depends specifically on the share price of a listed company. The calculation parameters are based on data sourced from directly and indirectly observed input factors. The fair value disclosures are therefore allocable overall to Level 2.

Book value and fair value of the bonds:

In € million	Convertible bonds and exchangeable bond	
	2014/12/31	2015/06/30
Book value	342.4	494.7
Fair value	361.7	512.8

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 recognized at equity, as well as non-consolidated subsidiaries 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 provided essentially comprise deliveries of input material for the manufacture of large-diameter pipes. 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/ - 30/06/2015	01/01/ - 30/06/2015	2015/06/30	2015/06/30
Non consolidated group companies	29.1	17.8	45.7	38.6
Investments accounted for using the equity method	119.1	25.2	43.0	0.4
Proportionally consolidated companies	6.1	0.5	1.1	33.2

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

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

Assurance from the legal representatives

"We give our assurance that, to the best of our knowledge and in accordance with the applicable accounting principles, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and that the course of business, including the business result and the position of the Group, is portrayed in such a way in the interim Group Management Report that a true and accurate picture is conveyed and that the significant opportunities and risks of the Group's future development in the remainder of the year are described fairly."

Salzgitter, August 2015

The Executive Board of Salzgitter AG



Fuhrmann



Becker



Kieckbusch

Financial Calendar 2015

February 27, 2015	Key data for the financial year 2014
March 27, 2015	Publication of the consolidated financial statements for 2014 Annual Results Press Conference
March 30, 2015	Analyst Conference in Frankfurt am Main
March 31, 2015	Analyst Conference in London
May 13, 2015	Interim report on the first quarter 2015
May 28, 2015	General Meeting of Shareholders in 2015
August 13, 2015	Interim report on the first half 2015 Analyst Conference in Frankfurt am Main
August 14, 2015	Analyst Conference in London
September 9, 2015	Conference JP Morgan in London
September 10, 2015	Conference Commerzbank in Frankfurt am Main
September 16, 2015	Conference Deutsche Bank in London
September 22, 2015	Conference Goldman Sachs in Munich
September 23, 2015	Conference Baader Bank in Munich
October 5 – 7, 2015	Roadshow in Boston/New York
November 12, 2015	Interim report on the first nine months 2015
November 19, 2015	Roadshow in Zurich
November 23 – 24, 2015	Capital Markets Day 2015 in Salzgitter

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.

Contact:

Salzgitter AG
Eisenhüttenstraße 99
38239 Salzgitter
Germany

Postal address:

38223 Salzgitter
Germany

Public Relations:

Tel.: +49 5341 21-2701
Fax: +49 5341 21-2302

Investor Relations:

Tel.: +49 5341 21-1852
Fax: +49 5341 21-2570

Online Interim Report:

www.salzgitter-ag.com/zb-2015/h1

Publisher:

Salzgitter AG

Editorial Office:

Salzgitter AG, Investor Relations

Production:

Inhouse mit FIRE.sys