9M

Interim Report
9 Months 2014

SALZGITTER AG
Stahl und Technologie

Contents

Salzgitter Group Figures

		9M 2014	9M 2013[1]	+/–
Crude steel production	**kt**	**5,517.5**	**5,295.9**	**221.6**
External sales	**€ million**	**6,811.5**	**7,279.3**	**–467.8**
Strip Steel Business Unit	€ million	1,607.9	1,572.2	35.7
Plate / Section Steel Business Unit	€ million	845.1	846.2	–1.1
Energy Business Unit	€ million	939.3	1,019.8	–80.5
Trading Business Unit	€ million	2,404.8	2,867.2	–462.4
Technology Business Unit	€ million	877.2	823.6	53.6
Industrial Participations / Consolidation	€ million	137.2	150.3	–13.1
EBITDA [2]	**€ million**	**328.0**	**134.0**	**194.0**
EBIT[2]	**€ million**	**74.9**	**–303.1**	**378.0**
Earnings before taxes (EBT)	**€ million**	**5.5**	**–365.6**	**371.1**
Strip Steel Business Unit	€ million	–3.9	–49.3	45.4
Plate / Section Steel Business Unit	€ million	–60.1	–313.8	253.7
Energy Business Unit	€ million	–20.5	–23.7	3.2
Trading Business Unit	€ million	16.1	27.6	–11.5
Technology Business Unit	€ million	13.2	4.7	8.4
Industrial Participations / Consolidation	€ million	60.8	–11.1	71.9
Earnings after taxes	**€ million**	**–12.2**	**–382.7**	**370.5**
Basic earnings per share	**€**	**–0.28**	**–7.13**	**6.85**
ROCE[3][4]	**%**	**1.5**	**–10.8**	**12.2**
Operating cash flow	**€ million**	**339.4**	**173.5**	**165.9**
Investments[5]	**€ million**	**185.2**	**218.2**	**–33.0**
Depreciation and amortization[5]	**€ million**	**–253.1**	**–437.0**	**184.0**
Total assets	**€ million**	**8,577.9**	**8,495.9**	**82.0**
Non-current assets	**€ million**	**3,591.8**	**3,596.4**	**–4.7**
Current assets	**€ million**	**4,986.1**	**4,899.5**	**86.6**
of which inventories	€ million	1,958.8	1,911.2	47.6
of which cash and cash equivalents	€ million	869.1	718.8	150.4
Equity	**€ million**	**3,148.9**	**3,231.6**	**–82.7**
Liabilities	**€ million**	**5,429.0**	**5,264.3**	**164.7**
Non-current liabilities	€ million	3,031.3	3,359.8	–328.5
Current liabilities	€ million	2,397.7	1,904.5	493.2
of which due to banks[6]	€ million	278.6	136.5	142.1
Net position[7]	**€ million**	**269.6**	**438.6**	**–169.0**
Employees				
Personnel expenses	€ million	–1,181.9	–1,160.1	–21.8
Core workforce on the reporting date	empl.	23,623	23,554	69
Total workforce on the reporting date	empl.	25,760	25,862	–102

Disclosure of financial data in compliance with IFRS

[1] 2013 restated
[2] EBIT = EBT + interest expenses/–interest income; EBITDA = EBIT + depreciation and amortization
[3] Return on capital employed (ROCE) = EBIT (= EBT + interest expenses excl. interest portion in transfers to pension provisions) divided by the sum of shareholders' equity (excl. calculation of deferred tax), tax provisions, interest-bearing liabilities (excl. pension provision) and liabilities from finance leasing, forfaiting
[4] Annualized
[5] Excluding financial investments
[6] Current and non-current bank liabilities
[7] Including investments, e.g. securities and structured investments

Summary

Important intermediate target reached: the Salzgitter Group achieves an impressive turnaround in the first nine months of 2014

The Salzgitter Group generated a pre-tax profit in the first nine months of 2014, thereby delivering the first positive nine-month result since 2011. Factors contributing to this impressive turnaround include primarily the impact of the "Salzgitter AG 2015" restructuring program that is increasingly taking effect and the gratifying contribution from the Aurubis investment. Compared with the accounts of the first half-year, the net financial position improved notably to € 270 million (June 30, 2014: € 156 million). With an equity ratio of 37%, the Salzgitter Group has a sound balance sheet and financial position for dealing with the ongoing structural crisis in the European steel market, while also continuing to develop its broad-based portfolio of business activities.

When considering the following year-on-year comparisons, it should be noted that the key data of the financial year 2013 have been restated to take account of the new Group organization structure and changes in the consolidation methods applied to participating interests under IFRS 11.

Group

- **External sales:** price and volume-induced decrease
- Considerable improvement in the **pre-tax result:** € 5.5 million (first nine months of 2013: € –365.6 million, burdened by non-recurrent effects of € 185 million)
- **After-tax result**: € –12.2 million
- **Earnings per share** (basic): € –0.28
- **Net credit balance**: € 270 million
- **Equity ratio:** at a sound level of 37%

Development of the business units

- **Strip Steel:** stable shipment volume; positive development of external sales; breakeven in pre-tax result almost achieved particularly thanks to improved result of Salzgitter Flachstahl GmbH
- **Plate /Section Steel:** decline in shipments owing to capacity adjustment at Peiner Träger GmbH (PTG) and due to weak shipments of Salzgitter Mannesmann Grobblech GmbH (MGB) in the first quarter; external sales nonetheless stable; notable reduction in pre-tax loss
- **Energy:** shipments below year-earlier level owing to poor capacity utilization at Salzgitter Mannesmann Großrohr GmbH (MGR); consequently, lower external sales; reduced pre-tax loss
- **Trading:** shipment volumes lower year on year due to decline in international trading's shipment tonnage; decrease in external sales also owing to declining prices; pre-tax profit lower than the previous year's figure
- **Technology:** improved margin in the project business and success under the "Fit4Future" program; increase in external sales and pre-tax profit

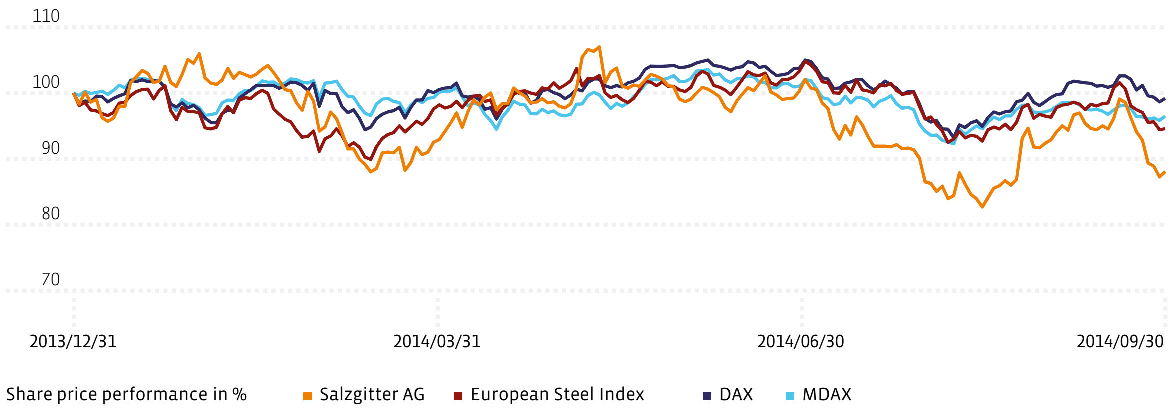
- **Industrial Participations / Consolidation**: notably positive pre-tax result comprises earnings of € 42.4 million from the Aurubis investment and positive profit contributions by the other Group companies

Guidance: Not least due to the fact that production and shipment volumes are always lower at year-end, the fourth quarter is likely to be weaker than the earnings trend in the previous quarters. Nonetheless, based on planning by the individual business units, and taking account of notable successes from measures implemented, as well as structural improvements from the "Salzgitter AG 2015" groupwide program, the Salzgitter Group affirms its earnings guidance so far for the year. We have revised our sales guidance downward to take account of declines in rolled steel selling prices caused by lower raw materials prices as well as the downturn in shipment volumes. Notwithstanding one-off effects arising in the context of the annual accounts, we now anticipate sales of around € 9 billion in 2014, a notable increase in the pre-tax result approaching breakeven compared with the financial year 2013, and another moderately positive return on capital employed.

Investor Relations

Capital Market and Price Performance of the Salzgitter Share

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



Sources: XETRA closing price Deutsche Börse AG, Datastream STEELEU

No clear trend in the **equity markets** emerged in the first nine months of 2014. Following a short-lived upswing at the start of the year, the Ukraine crisis, in conjunction with weaker-than-expected economic data from the USA and a number of emerging markets, triggered a strong correction still during the first quarter. The subsequent countermovement sent the DAX to a new record high of 10,028.80 points on June 10. In the second consolidation phase, caused by cooling economic sentiment indicators, the gains previously achieved were rapidly neutralized. A brief bullish phase as from mid-August gave way to another downturn in September. Whereas the DAX only lost 1% measured against its start to the year, the MDAX and the European steel index were quoted 3% and 5% lower respectively.

The **Salzgitter share** mirrored these market movements, albeit with greater volatility. Starting from a year-end price of € 31.00, the share initially outperformed the indices through to mid-February on the back of Europe's improved economic outlook and the awarding of part of a project volume of the South Stream Pipeline to EUROPIPE GmbH (EP) in which a 50% stake is held. After the first price correction, the share reached a new high for the year during the second uptrend, namely on June 13 at € €33.81. From July onward, our share underperformed the general downtrend and closed the third quarter with an overall performance of –12% in the first nine months of 2014.

In the current **analyst coverage** conducted by 24 banks, the Salzgitter share has been assessed with the following recommendations (as per September 30, 2014): 7 buy/outperform, 10 hold/market perform, 7 sell/underperform.

The **average daily** turnover of the Salzgitter share on German stock exchanges came to around 274,000 units during the reporting period. As of Tuesday, September 30, 2014, Salzgitter AG (SZAG) therefore took 26th place measured by turnover and held 43rd place in terms of free float market capitalization in the MDAX ranking of Deutsche Börse AG.

As part of our **capital market communication** we participated in investor conferences in Baden-Baden, Berlin, Frankfurt, London, Munich, New York and Nice in the period under review. In addition, we held roadshows in Munich and London. Moreover, investors and analysts took advantage of the offer of visiting our sites in Salzgitter, Ilsenburg, Mülheim and Dortmund and of informing themselves about our company in discussions with company representatives. We presented the results of the first half of the financial year at well-attended analysts' conferences in Frankfurt and London and engaged in intensive dialog with the capital market. Once again, information events and site visits arranged by the "Freundeskreis der Aktionäre der SZAG" (circle of friends of Salzgitter AG shareholders) met with lively interest on the part of our private investors.

Treasury shares

SZAG's portfolio of treasury shares amounted to 6,009,700 units as of Tuesday, September 30, 2014, unchanged from December 31, 2013, 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 of the sector are by nature reflected in the results of the Group on the one hand, and in its share price, on the other. The separate financial statements of SZAG are decisive for the ability to pay dividend. The Salzgitter Group pursues a fundamental policy of paying out steady and attractive dividend – removed from volatile reporting-date related influences – based on the pre-requisite of achieving actual operating profit. Such payment does not necessarily have to fully reflect the cyclicality of the earnings performance. In line with these considerations, the Annual General Meeting of Shareholders approved a dividend distribution of € 0.20 per share on May 22, 2014, for the 2013 financial year.

Information for investors

		9M 2014	9M 2013
Nominal capital as of 09/30/	€ million	161.6	161.6
Number of shares as of 09/30	million	60.1	60.1
Number of shares outstanding as of 09/30	million	54.1	54.1
Market capitalization as of 09/30[1)2)]	€ million	1,477	1,662
Closing price as of 09/30[1)]	**€**	**27.31**	**30.72**
High 01/01 – 09/30[1)]	€	33.81	41.56
Low 01/01 – 09/30[1)]	€	26.62	24.54

Securities identification number: 620200, ISIN: DE0006202006

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

Profitability of the Group and its Business Units

Economic environment

Despite a number of setbacks the **global economy** continued its recovery in the first nine months of 2014, while at a slower pace than originally expected. The industrial nations remained the key drivers of this development: after a weak start to the year due to weather conditions, the USA reported a sustained upswing, while Japan's private consumption contracted notably as result of higher consumer taxes. Following a moderate beginning in the first quarter, growth picked up momentum again in China, boosted by economic policy measures. By contrast, Russia and its neighboring countries suffered increasingly from the impact of the Ukraine crisis. The other emerging markets, with Latin America in the lead, reported weaker growth than originally forecast. All in all, the International Monetary Fund (IMF) revised its growth expectations for the global economy in 2014 slightly downward to a current 3.3%.

Economic momentum in the **Eurozone** remained extremely fragile during the reporting period. Particularly the large euro countries, to the exception of Germany, are still a long way off from stable economic developments. Accordingly, France continued to stagnate, while Italy even slid back into recession in the early months of the year, which was largely due to extremely reticent capital expenditure. By contrast, the economies of Portugal and Spain grew, not least due to the halting recovery in domestic demand, and Greece was also showing increasing signs of stabilizing. The IMF now puts economic growth at 0.8% in the euro zone in 2014 as a whole, marking a 0.3% decline from its previous forecast.

Surprisingly, **Germany's economy** cooled during the summer. Following a strong start to the year, also owing to weather conditions among other factors, the second quarter saw a slight quarter-on-quarter downturn in production despite the favorable financing conditions and the high level of capacity utilization in industrial companies. Investment activities above all fell short of expectations, which was mainly attributable to the ailing European economy and the sanctions imposed on Russia in the context of the Ukraine conflict. The IMF has revised its growth forecast for Germany in the current year downward to 1.4% (previously: 1.9%). The leading German economic research institutes and the German government anticipate somewhat lower economic growth.

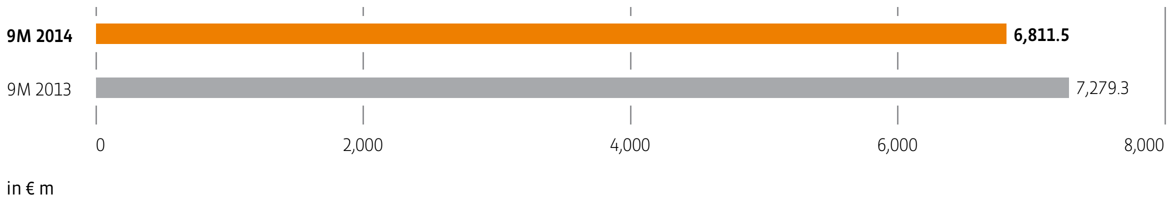
		Q3 2014	Q3 2013[1]	9M 2014	9M 2013[1]
Crude steel production	kt	1,820.8	1,514.7	5,517.5	5,295.9
External sales	**€ million**	**2,262.2**	**2,306.3**	**6,811.5**	**7,279.3**
EBIT before depreciation and amortization (EBITDA)[2]	€ million	118.8	32.3	328.0	134.0
EBIT[2]	€ million	34.5	–42.9	74.9	–303.1
Earnings before taxes (EBT)	**€ million**	**9.7**	**–64.7**	**5.5**	**–365.6**
Earnings after taxes	**€ million**	**3.8**	**–67.0**	**–12.2**	**–382.7**
ROCE[3][4]	**%**	**2.3**	**–5.1**	**1.5**	**–10.8**
Investments[5]	€ million	73.7	70.2	185.2	218.2
Depreciation and amortization[5]	€ million	–84.3	–75.2	–253.1	–437.0
Operating cash flow	€ million	220.4	98.2	339.4	173.5
Net position[6]	**€ million**			**269.6**	**438.6**
Equity ratio	%			36.7	38.0

[1] 2013 restated
[2] EBIT = EBT + interest expenses/–interest income; EBITDA = EBIT + depreciation and amortization
[3] Return on capital employed (ROCE) = EBIT (= EBT + interest expenses excl. interest portion in transfers to pension provisions) divided by the sum of shareholders' equity (excl. calculation of deferred tax), tax provisions, interest-bearing liabilities (excl. pension provision) and liabilities from finance leasing, forfaiting
[4] Annualized
[5] Excluding financial investments
[6] Including investments, e.g. securities and structured investments

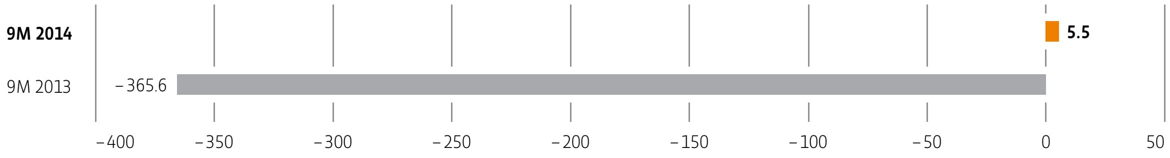
Earnings Situation within the Group

The Salzgitter Group generated a pre-tax profit in the first nine months of 2014, thereby delivering the first positive nine-month result since 2011. Factors contributing to this impressive turnaround include primarily the impact of the "Salzgitter AG 2015" restructuring program that is increasingly taking effect and the gratifying contribution from the Aurubis investment. Compared with the accounts of the first half-year, the net financial position improved notably to € 270 million (June 30, 2014: € 156 million). With an equity ratio of 37 %, the Salzgitter Group has a sound balance sheet and financial position for dealing with the ongoing structural crisis in the European steel market, while also continuing to develop its broad-based portfolio of business activities.

External sales[1]



EBT[1)]



in € m

[1)] 2013 restated

The situation of the European steel market was tense throughout the entire reporting period as the supply of many rolled steel products continued to exceed demand.

Weaker contributions by the Trading Business Unit, resulting first and foremost from price-and volume-induced effects, caused **consolidated external sales** to drop 6% to € 6,811.5 in the first nine months of 2014 (first nine months of 2013: € –7,279.3 million). By contrast, the consolidated result improved to post a **pre-tax profit** of 5.5 million, which represents significant headway compared with the previous year (first nine months of 2013: € –365.6 million). This amount includes € 42.4 million in contribution from the Aurubis investment. The **after-tax result** stood at € –12.2 million (first nine months of 2013: € –382.7 million), which brings basic earnings per share to € –0.28 (first nine months of 2013 € –7.13). The return on capital employed (ROCE) posted 1.5 % (first nine months of 2013: –10.8 %).

Procurement

Ore prices under pressure

The ore price trend was in steep decline in the first nine months of 2014. Whereas spot market quotations for **fine ore** still averaged 135 USD/dmt CFR China in the fourth quarter of 2013, the first quarter of 2014 saw prices drop from 120 USD/dmt to 102 USD/dmt market in the second, and then fall to 90 USD/dmt in the third. At the end of September, the 80 USD/dmt threshold was breached, marking the lowest price level since the start of September 2009. This trend is the combined result of various factors: Imports of Chinese mills, which accounted for around 70% of seaward traded ore, marked a historical high close to 220 million tons in the fourth quarter of 2013. In conjunction with similarly record domestic production, ore inventories in Chinese ports grew to more than 100 million tons. The interest of Chinese customers in purchasing, however, weakened slightly, particularly in the first six months of 2014. The market environment described above met with supply that was characterized by massive leaps in production, fueled by the drive towards expansion over many years and led first and foremost by the large Australian producers. This market constellation exerted considerable pressure on ore prices.

Steep price decline on the coking coal market

In contrast to pricing on the ore market that is determined by the index, the quarterly prices of **coking coal** with benchmark quality continue to be negotiated between large producers and customers. As opposed to the supply problems experienced in the past (flooding and strikes lasting several months in Australia), the market situation has eased to a great extent. The prices of qualitatively high-grade coking coal have slipped markedly and, from the third quarter of 2013 through to the beginning of 2014, fluctuated within a narrow band of between 143 and 152 USD/ t FOB. Since there were no weather-induced effects hampering production in Australia in the first three months of 2014, and as the mining operations of many mining facilities continued to run at a high level despite rather subdued demand, coking coal prices fell sharply. With prices of 120 USD/t FOB agreed for the second and third quarter and 119 USD/t FOB for the final quarter of 2014, the market has reached its lowest price level since 2007. Many surveys conducted on the outlook for the coming year show a coking coal market that is likely to be determined by significant oversupply, leaving the producers little scope for price increases.

Price fluctuations in metals and ferro-alloys

The situation on the international **metal and alloy** markets varied: Prices of manganese-based bulk alloys, for instance, remained at a stable level, as opposed to listed materials, such as zinc, nickel, copper and aluminum that displayed a great deal of volatility, rising sharply in part over the course of the year to date.

Low fluctuation level of steel scrap prices

Steel scrap prices had already declined during the first half of 2014 due to the lower capacity utilization of the manufacturing industries, as well as the downturn in exports. The start of the third quarter initially saw prices on the German steel scrap market move sideways, despite demand having been adjusted to take account of vacation and operation-related effects. Export prices rose by an average €5 to €10 per ton in August due to the temporary surge in Turkish consumers' order activity. With demand matching supply, prices held steady in September.

Developments in the Steel Market

Global crude steel production grew moderately in comparison with the year-earlier period, varying somewhat depending on the region: The USA reported an upturn and Japan stable volume developments, whereas the growth rates in China declined due to a deteriorating real estate market. In many emerging markets as well crude steel output expanded less rapidly than in previous years and is likely to have stagnated or even contracted in Russia, Brazil, India and Turkey.

Europe's steel market staged a marginal recovery, with slight growth in the market supply of rolled steel. This improvement was, however, accompanied by higher import volumes in a year-on-year comparison. As a result, the EU reported a close-to-balance position in steel foreign trade for the first time since the summer of 2011.

Greater concerns about the general economic trend have exerted an increasingly negative impact on **Germany's steel market** since mid-year. In recent months, the uptrend in incoming orders has faltered. During the third quarter, the volumes of orders placed for rolled steel stagnated in comparison with the year-earlier period. Order intake from the automotive industry was nonetheless still relatively robust. Steel tubes and pipes also developed better in recent months. By contrast, order intake in mechanical engineering weakened due to the constraints on business from Russia.

Strip Steel Business Unit

		Q3 2014	Q3 2013[1]	9M 2014	9M 2013[1]
Order intake	kt	1,077.1	1,258.1	3,474.1	3,588.4
Order backlog on reporting date	kt			689.9	806.9
Crude steel production	kt	1,202.1	892.8	3,555.3	3,155.5
Rolled steel production	kt	891.6	808.9	2,701.3	2,630.8
Shipments	kt	1,159.5	1,178.9	3,565.0	3,571.6
Segment sales[2]	**€ million**	**688.5**	**691.0**	**2,148.4**	**2,225.5**
External sales	**€ million**	**512.2**	**524.6**	**1,607.9**	**1,572.2**
Earnings before taxes (EBT)	**€ million**	**3.0**	**–33.8**	**–3.9**	**–49.3**

[1] 2013 restated
[2] Including sales with other business units in the Group

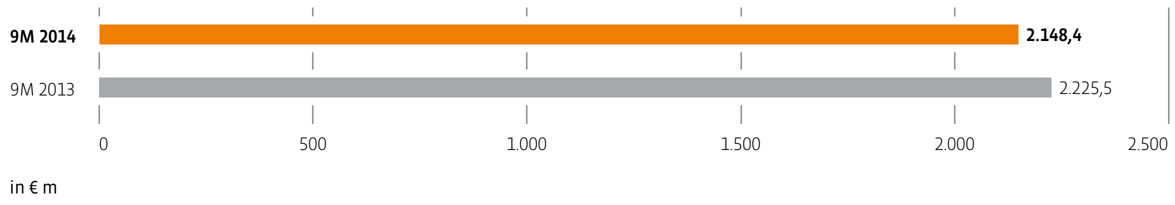
The core competences of the **Strip Steel Business Unit** lie in the production of steel in the fully integrated steelworks of Salzgitter Flachstahl GmbH (SZFG) and in subsequent processing resulting in high-grade strip steel products. The affiliated Steel Service Centers of Salzgitter Mannesmann Stahlservice GmbH (SMS) cater to 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 and roofing and wall elements). The most important customer sector is the European automotive industry.

The activities of Hövelmann & Lueg GmbH (HLG) and Stahl-Metall-Service Gesellschaft für Bandverarbeitung mbH (SMS) were combined as of January 1, 2014, in order to reinforce the steel service center organization. This measure was carried out by way of an asset deal under which the operations of HLG and the associated individual assets were transferred to SMS. SMS has traded under the name of Salzgitter Mannesmann Stahlservice GmbH since the start of 2014. In addition, SZST Salzgitter Service und Technik GmbH (SZST) was integrated into SZFG in April 2014, with retrospective effect as of January 1, 2014. This measure has created the preconditions for implementing a flexible maintenance concept at SZFG.

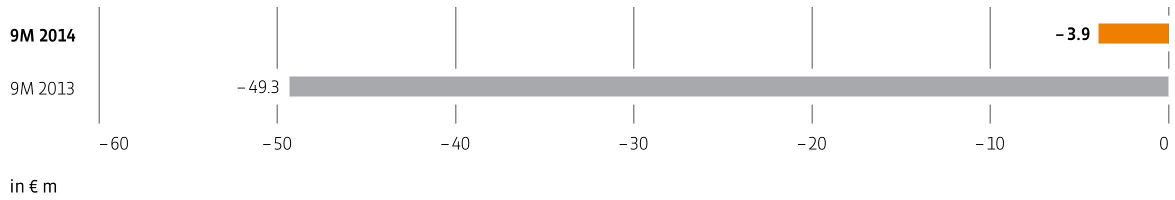
Following an even sharper increase in the demand for strip steel products in the most important markets of the European Union (EU) during the first half year, growth in the summer was moderate at best owing to the slowdown in the activities of some steel processing sectors. Moreover, strip steel imports into the EU by non-EU countries rose once again (+10 %), exerting additional pressure on market prices.

Order intake and **orders on hand**, as well as the **segment sales** of the Strip Steel Business Unit, fell short of the year earlier figures in the first nine months of 2014. **Shipments** matched the prior-year level. **External sales** developed well. Thanks in particular to the gratifying improvement in the performance of SZFG in comparison with 2013, the business unit's **pre-tax result,** that stood at € –3.9 million (first nine months of 2013): € –49.3 million almost achieved breakeven.

Sales[1)]



EBT[1)]



[1)] 2013 restated

New orders received by **Salzgitter Flachstahl GmbH** (SZFG) exceeded the already healthy year-earlier level, as opposed to orders on hand that declined marginally. Shipments and rolled steel production grew slightly while crude steel output even reported sharp growth compared with the year-earlier period that was determined by disruptions in blast furnace operation. Persistently fierce competition fueled by surplus steel capacities in the market left no leeway for raising selling prices, which resulted in sales falling short of the figure achieved in the first nine months of 2013. In the wake of lower costs for raw materials and natural gas accompanied by an increase in capacity utilization, SZFG lifted earnings before taxes significantly that only remained marginally negative.

The consistent implementation of the joint sales strategy with SZFG boosted the tonnage shipped by **Salzgitter Mannesmann Stahlservice GmbH** (SMS) to above the levels posted in 2013 despite fiercer competition. Consequently, sales also rose. Although the pre-tax result improved due to higher volumes and lower costs, it nonetheless remained negative.

Salzgitter Bauelemente GmbH (SZBE) matched the shipment tonnage achieved the year before. Sales grew owing to the distribution of higher-grade products. As a result of contracting margins, SZBE generated breakeven in the pre-tax result.

The shipments, sales and earnings before taxes of **Salzgitter Europlatinen GmbH** (SZEP) remained at the year-earlier level in the period under review. .

Plate / Section Steel Business Unit

		Q3 2014	Q3 2013[1]	9M 2014	9M 2013[1]
Order intake	kt	645.8	558.5	1,904.2	1,748.7
Order backlog on reporting date	kt			494.1	362.9
Crude steel production	kt	229.4	222.6	788.4	942.9
Rolled steel production	kt	574.1	587.6	1,791.3	1,897.5
Shipments	kt	591.0	562.4	1,786.6	1,952.0
Segment sales[2]	**€ million**	**474.6**	**423.9**	**1,418.8**	**1,522.3**
External sales	**€ million**	**288.5**	**250.0**	**845.1**	**846.2**
Earnings before taxes (EBT)	**€ million**	**–17.5**	**–48.3**	**–60.1**	**–313.8**

[1] 2013 restated
[2] Including sales with other business units in the Group

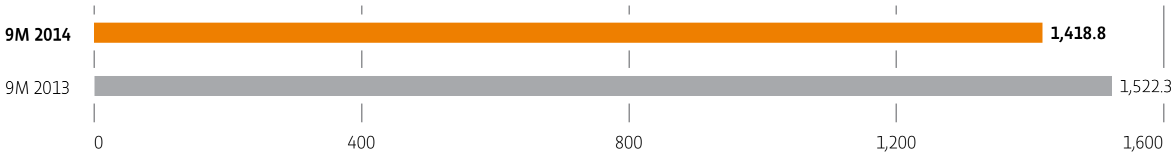
The **Plate / Section Steel Business Unit** incorporates the companies of the Group that primarily serve customers in the project-oriented construction and infrastructure sectors. The business unit comprises Ilsenburger Grobblech GmbH (ILG) and Salzgitter Mannesmann Grobblech GmbH (MGB), on the one hand, and Peiner Träger GmbH (PTG) and 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), as a scrap supplier of Peiner Träger GmbH (PTG) permits logistics processes to be more closely and flexibly coordinated.

As of September 30, 2014, BSH Braunschweiger Schrotthandel GmbH, Braunschweig (BSH), a company belonging to the Plate / Section Steel Business Unit, was included in the group of consolidated companies of Salzgitter AG (SZAG) with retrospective effect as of January 1, 2014.

When drawing comparisons with 2013, it should be noted that the key data of BSH are not included in the third quarter of 2013. Nonetheless, there would be no significant change in the overall statement on the development of the business unit even if the company had been included in the year-earlier figures.

Order intake and **orders on hand** of the Plate / Section Steel Business Unit exceeded the year-earlier level, boosted in particular by the awarding of the major South Stream contract to EUROPIPE GmbH (EP) that will be supplied with plate by MGB over the duration of the project. The **production of rolled steel** decreased following capacity adjustments at PTG and reduced output by MGB. Shipments were also in decline. **Segment sales** also dropped due to volume- and selling price-related effects,, as opposed to **external sales** that remained stable. The business unit's **pre-tax loss** of € 60.1 million improved notably in comparison with the year-earlier result (first nine months of 2013: € –313.8 million) that included impairment of € 185 million at PTG. A major part of these better results emanated from the effects of the swiftly implemented restructuring and operational optimization in Peine.

Sales[1)]



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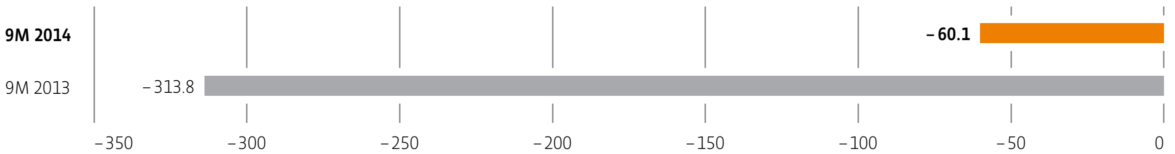


in € m

[1)] 2013 restated

After an initially difficult start to the year, the situation in the **European plate market** has meanwhile improved. This development formerly originated in winning the contract for the first leg of the South Stream Pipeline project. In conjunction with somewhat brighter expectations of the economy, traders and some consumers then assumed that the market had bottomed out and might be returning, at least temporarily, to a somewhat more stable level again. With this in mind, they no longer delayed in placing orders to cover existing demand and replenish inventory, which created scope for upward price corrections. Shutting down production facilities, downtime for vacation and repair work, as well as the events in the Ukraine resulted in curtailment of capacity excesses in Europe. Nonetheless, capacity utilization generally remained unsatisfactory, pressured by an exacerbated import situation.

The order intake and orders on hand of **Ilsenburger Grobblech GmbH** (ILG) and **Salzgitter Mannesmann Grobblech GmbH** (MGB), now both under uniform management, exceeded the previous year's figures, which positively reflected the acquisition of the major South Stream contract. As MGB was still reporting unsatisfactory capacity utilization and sales tonnage in the first quarter, plate producers suffered all in all a marked decline in the production of rolled steel and shipments in the period under review. Both companies saw sales drop owing to the unsatisfactory selling price situation and volume shortfalls at MGB in the first quarter. Despite lower input material prices and reduced processing costs, both ILG and MGB reported pre-tax losses. In comparison with the previous year, MGB was nonetheless successful in markedly reducing this pre-tax loss through cost savings.

The situation on the **European section market** remained tense in the first half of 2014. Although weather conditions favorable for the construction industry prevailed in the first quarter of 2014, demand in the stockholding steel trade appeared moderate overall, which led to an increase in inventories. Subsequent measures to adjust inventories served to fan the price war. At the start of the second quarter, extremely short-term oriented order patterns were exacerbated further that, in June, returned to the normal levels seen in the first quarter. Moreover, the increase in imports from non-EU countries burdened the market and the scope for pricing. The third quarter was impacted by maintenance downtime of almost all section steel producers. In July, however, order activity picked up momentum again as, in view of an upturn in scrap prices, producers had indicated price increases in the months ahead. Depending on the market segment, the prices commanded ranged between 10 and €15/t. Unexpectedly weak demand in the subsequent period caused inventories to swell once more in September, which triggered another phase of strong price pressure.

Due to the adjustments made to production capacity (1 Million Ton Model) and the discontinuation of intra-group slab shipments, order intake and orders on hand, crude steel and rolled steel output of **Peiner Träger GmbH** (PTG) were down in the first nine months of 2014 in a year-on-year comparison. The lower level of shipments and still unsatisfactory average selling prices caused sales to decline. In comparison with the year-earlier loss that was burdened by impairment of € 185 million, PTG's pre-tax result improved considerably, and remained only slightly negative. The success garnered from operational optimization at PTG was a major contributing factor here. The lower level of steel scrap demand in conjunction with falling prices caused the sales of the **DMU Group** to decline in a year-on-year comparison. Thanks to higher scrap margins and the positive effects from the "Salzgitter AG 2015" program, the pre-tax result nonetheless improved and the company returned to writing black figures.

Demand in the **sheet piling market** recovered a little, but fell short of expectations. Although shipment volumes were matched, the weaker selling prices at **HSP Hoesch Spundwand and Profil GmbH** (HSP) caused sales to decline in the reporting period. The pre-tax loss was somewhat higher due to the downturn in production volumes and the ensuing fixed cost degression.

Energy Business Unit

		Q3 2014	Q3 2013[1]	9M 2014	9M 2013[1]
Order intake[2]	€ million	370.6	383.1	1,184.1	1,218.4
Order backlog on reporting date[3]	€ million			500.0	448.7
Crude steel production	kt	389.3	399.3	1,173.8	1,197.4
Segment sales[4]	**€ million**	**404.8**	**434.6**	**1,277.4**	**1,398.7**
External sales	**€ million**	**288.3**	**320.9**	**939.3**	**1,019.8**
Earnings before taxes (EBT)	**€ million**	**–0.7**	**–9.6**	**–20.5**	**–23.7**

[1] 2013 restated
[2] As from Q2 2014 including HKM, adjusted retrospectively
[3] Tubes
[4] Including sales with other business units in the Group

The **Energy Business Unit** comprises the companies that were formerly assigned to the Tubes Division, with the exception of Salzgitter Mannesmann Grobblech GmbH (MGB). Since this company's core activities consist of providing sheet input material for the EUROPIPE Group (EP Group) and pipe plate for external customers, it has been assigned to the new Plate / Section Steel Business Unit. 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. Customer demand is served on the basis of the mega trends of "water", "energy" and "mobility".

Whereas **global steel tubes output** grew moderately in the first nine months of 2014, production in Germany was still notably below the previous year's figure despite the positive trend in recent months. Notwithstanding the renewed increase in capacity utilization that commenced in April, this development was mainly attributable to demand for large-diameter pipes remaining generally unsatisfactory. Sentiment in Europe deteriorated steadily in the third quarter. The customer sectors of mechanical engineering and automotive that had previously performed well partly revised their sales forecasts downward. As before, demand for steel pipes from the power plant business remained very weak, with the exception of the nuclear sector in Europe.

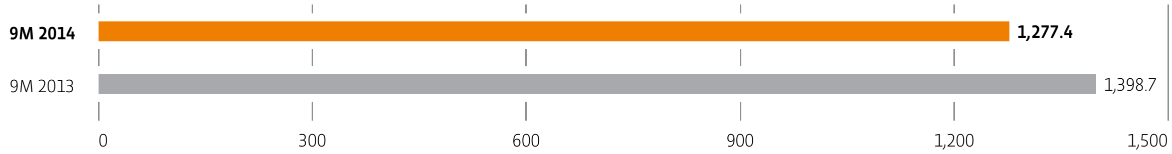
In January 2014, two changes were made in the consolidation methods applied to the Energy Business Unit: The EP Group that was proportionately consolidated at 50% up until December 31, 2013, has been reported at 50% equity since the start of 2014, with the proportionate after-tax result. It is no longer included in the other figures of the business unit, but is nonetheless disclosed in the following and annotated for information purposes. Hüttenwerke Krupp Mannesmann GmbH (HKM) that was consolidated at 30% equity up until December 31, 2013, has been reported at 30% on a proportionate basis since the start of 2014, and is included accordingly in the order intake, sales and the result of the business unit at 30%. HKM is not, however, reported in terms of orders on hand and shipments, as it produces input material and only tubes are disclosed here. The 2013 figures were adjusted retrospectively for comparison purposes.

In the first nine months of 2014, **order intake** remained marginally below the year-earlier figure. Outside the Group's scope of consolidation, EUROPIPE, in which a 50% stake is held, more than trebled incoming orders on the back of the major South Stream and ETC Rover projects: **Orders on hand** climbed first and foremost on the back of the higher level achieved by precision tubes.

Owing to the poor capacity utilization situation at Salzgitter Mannesmann Großrohr GmbH (MGR), **shipments** fell short of the figure reported for the first nine months of 2013, despite volume growth in precision and stainless steel tubes. Consequently, **segment** and **external sales** did not repeat the 2013 level.

All in all, the Energy Business Unit delivered a **pre-tax loss** of € 20.5 million in the period under review. The result was impacted mainly by the negative results of the line pipe companies caused by low capacity utilization. The SMP Group almost achieved breakeven, not least owing to the effects of measures implemented under the programs, while Salzgitter Mannesmann Stainless Tubes Group (MST Group) generated a remarkable profit.

Sales[1)]



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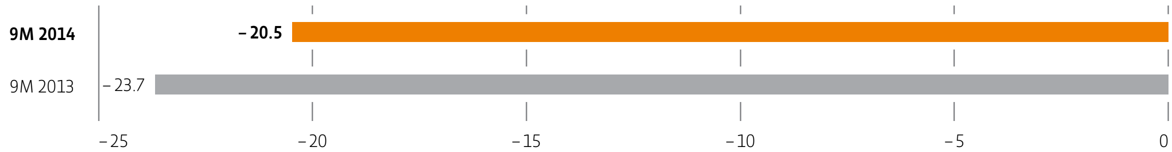


in € m

[1)] 2013 restated

Business development of the product segments:

The EP Group's order intake of **large-diameter pipes** more than trebled in the first nine months of 2014 in year-on-year comparison, boosted mainly by the bookings of the major South Stream and ETC Rover projects. As a result, the order backlog rose significantly and has secured good capacity utilization since the second quarter for the Mülheim mill through to the end of March 2015. The US mills will see sound basic capacity utilization as from the final quarter of 2014 through to the fall of 2015. The lack of orders at the beginning of the year and the ensuing short-time work, along with the South Stream volumes that were only due for delivery as from September, shipments and sales only achieved around 50% of the figures reported in 2013. Consequently, the pre-tax result was still markedly negative.

Owing in particular to the favorable EUR/USD exchange rate, the order intake of **HFI and spirally welded pipes** produced by Salzgitter Mannesmann Line Pipe GmbH (MLP) and Salzgitter Mannesmann Großrohr GmbH (MGR), now under uniform management, improved after the summer break. The European and international market environment remained difficult nonetheless. While MLP exceeded the previous year's level of order intake and orders on hand, MGR fell short of the already weak figures delivered in 2013. Although MLP lifted shipments slightly, sales that were pressured by the tense selling price situation did not match the year-earlier figure. Due to the lack of projects, MGR only produced for a few months, which was reflected in a significant decline in shipments and sales. Both companies reported marked pre-tax losses.

The **precision tubes market** benefited from orders placed by export-oriented premium German automotive manufacturers in the first nine months of 2014. The situation with regard to the industrial area continued to improve as opposed to the energy sector, where there is no evidence of a turnaround. New orders received by the Salzgitter Mannesmann Precision Group (SMP Group) settled at the level posted in 2013, while orders on hand increased. Despite very fierce competition in the market, shipment volumes and sales expanded in comparison with the year-earlier period, a success that also resulted from the sales initiatives launched. Both the optimization of the process and organization structure under the "Salzgitter AG 2015" program, as well as the additional program designed to improve the productivity of the precision tubes group contributed to the company achieving breakeven in earnings before taxes. By contrast, a loss before taxes had to be absorbed in the year earlier period.

Against the backdrop of strong international project business at the start of the year and sustained reticence on the part of the European stockholding steel trade, the order intake of the **Salzgitter Mannesmann Stainless Tubes Group** (MST Group) outperformed the previous year's period overall. Orders on hand that were higher than in the previous year secure a high level of capacity utilization in all European locations through to the first quarter of 2015. Sales fell short of the 2013 performance owing to the downturn in the price of alloys. With a sharp increase in shipments, the MST Group clearly exceeded the already presentable pre-tax profit reported in the first nine months of 2013.

Trading Business Unit

		Q3 2014	Q3 2013[1]	9M 2014	9M 2013[1]
Shipments	kt	1,583.0	1,337.1	4,029.6	4,229.5
Segment sales[2]	**€ million**	**871.8**	**929.5**	**2,477.6**	**2,907.1**
External sales	**€ million**	**844.8**	**903.9**	**2,404.8**	**2,867.2**
Earnings before taxes (EBT)	**€ million**	**9.2**	**5.5**	**16.1**	**27.6**

[1] 2013 restated
[2] 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 of other manufacturers in Germany and abroad. Moreover, the Trading Division procures semi-finished products for the Group and external customers on the international markets.

As of January 1, 2014, the steel service center activities of Hövelmann & Lueg GmbH (HLG) were assigned by way of an asset deal to Stahl-Metall-Service Gesellschaft für Bandverarbeitung mbH (SMS) that now trades under the name of Salzgitter Mannesmann Stahlservice GmbH (SMS). Both companies were reassigned from the Trading Business Unit to the Strip Steel Business Unit in order to realize synergies in market development. In addition, the following companies Salzgitter Mannesmann (UK) Ltd. (SMUK), Salzgitter Mannesmann (France) SARL (SMFR) and Salzgitter Mannesmann (Espana) SA (SMSP) were included in the Salzgitter Group's scope of consolidation oin the third quarterSeptember 30, 2014 with retrospective effect as of January 1, 2014:.

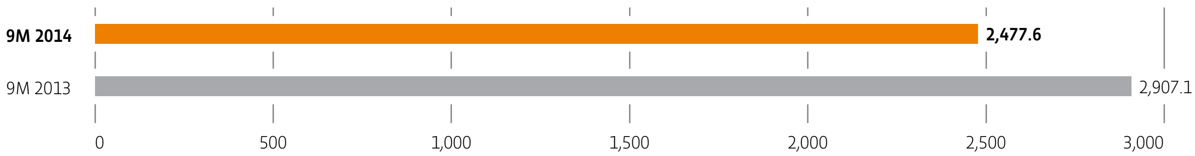
- Salzgitter Mannesmann (UK) Ltd., Harrogate (SMUK),
- Salzgitter Mannesmann (France) SARL, Saint Mandé (SMFR)
- Salzgitter Mannesmann (Espana) SA, Madrid (SMSP)

Order activity in the last nine months was subdued in the **international steel markets** in virtually all regions and across all product segments. At the same time, the price of beams, as well as the heavy plate and wide strip segments came under strong price pressure, both in Germany and on an international scale. Nonetheless, demand for steel in Europe's construction sector remained relatively stable owing to the good weather conditions in the first quarter.

In drawing comparisons with the previous year, account must be taken of the fact that the key data of the companies included in the consolidation group of Salzgitter AG in the third quarter of 2014, with retrospective effect as of January 1, 2014, had not yet been included in the third quarter of 2013. There would, however, be no significant change in the overall statement on the development of the business unit even if the companies had been included in the year-earlier figures.

Compared with the previous year, **shipment volumes** of the Trading Business Unit declined largely due to the downturn in the sales generated by international trading and, compounded by a lower price level, pushed **segment** and **external sales** down. **Earnings before taxes** atof € 16.1 million waserewere clearly positive albeit below the year-earlier level owing to the unfavorable margin trend.

Sales[1)]



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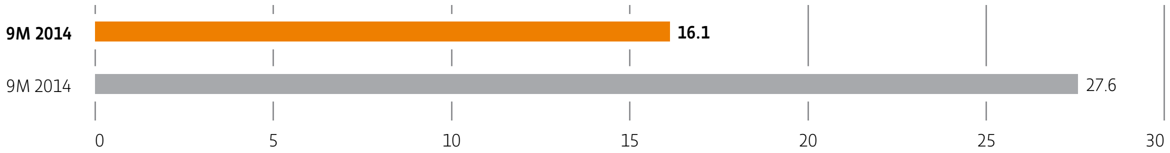


in € m

The shipments of the **Salzgitter Mannesmann Handel Group** (SMHD Group) were lower year on year. International trading had a significant impact on this development. Lower average selling prices resulted in a disproportionate sales downturn. The pre-tax profit did not match the previous year's figure, mainly due to margin pressure.

The European **stockholding steel trading companies** reported that shipments had developed extremely well in comparison with the volumes generated in the first nine months of 2013. Sales did not quite repeatwere almost at the year-earlier level due to considerably weaker selling prices. Despite the positive earnings deviations of Eastern European subsidiaries and the company located in the Netherlands, the overall pre-tax result remained below the year-earlier figure due to the squeeze on margins in the German stockholding business.

International trading sales declined mainly because fully compensating for the weaker project business was not possible. Lower price levels in many markets and a changed product mix caused sales and pre-tax profit to drop below the year-earlier figures.

The **Universal Eisen und Stahl Group** (UES Group) reported stable shipment volumes and sales in the first nine months of the financial year 2014. Whereas demand by industrial customers proved relatively satisfactory, the offshore and shipyard business remained weak. Excess market supply left little room for raising selling prices. By contrast, business of the North American company performed better, in part also boosted by the gradual turnaround of the Chicago subsidiarylocation. The pre-tax result was nonetheless lower than in the year before.

Technology Business Unit

		Q3 2014	Q3 2013[1]	9M 2014	9M 2013[1]
Order intake	€ million	346.5	339.2	898.3	943.9
Order backlog on reporting date	€ million			663.0	584.6
Segment sales[2]	**€ million**	**284.5**	**257.4**	**877.6**	**824.0**
External sales	**€ million**	**284.4**	**257.2**	**877.2**	**823.6**
Earnings before taxes (EBT)	**€ million**	**1.7**	**0.1**	**13.2**	**4.7**

[1] 2013 restated
[2] 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 through processing to the filling and packaging of beverages. Other companies of the business unit sell special machinery for the shoe industry or specialize in the manufacturing of rubber and silicon injection molding machinery.

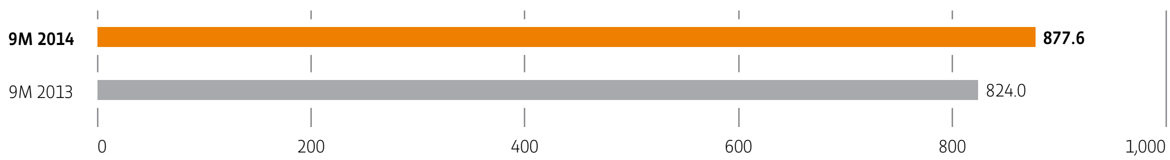
As part of the Group's restructuring process, RSE Grundbesitz und Beteiligungs- GmbH (RSE) is no longer disclosed under the Technology Business Unit. Instead, its key data is included in Industrial Participations/Consolidation. On September 30, 2014, the following companies belonging to the business unit were newly admitted to the group of consolidated companies of Salzgitter AG (SZAG) with retrospective effect as of January 1, 2014:

- KHS UK Ltd, Solihull (KHSGB)
- Klöckner Holstein Seitz S.A., Sant Cugat del Valles (KHSSP)
- KHS Skandinavien Aps, Albertslund (KHSDK)
- KHS Ukraine OOO, Kiev (KHSUK)

In drawing a comparison with the previous year, account must be taken of the fact that the key data of the companies included in the consolidation group of Salzgitter AG (SZAG) in the third quarter of 2014, with retrospective effect as of January 1, 2014, are not considered in the first nine months of 2013. There would nonetheless be no significant change in the overall statement on the development of the business unit even if the companies were included in the year-earlier figures.

According to the statistics of the German Engineering Federation (VDMA), the sector's order intake climbed somewhat compared with the previous year's period, with domestic and international demand rising in equal measure. The market for food and packaging machinery reported slight growth.

Sales[1]



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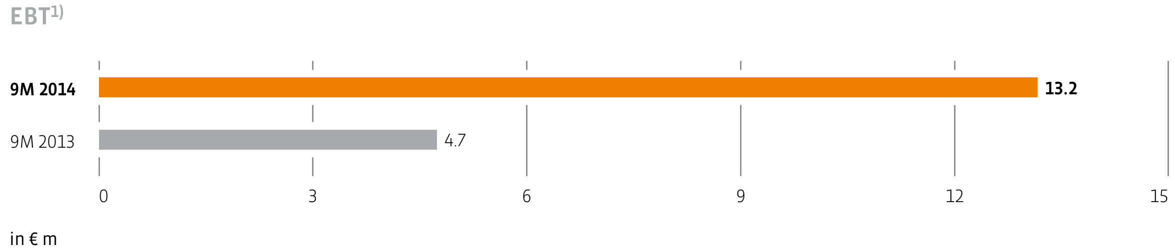

1) 2013 restated

Compared with the exceptionally strong development of business in 2013, the KHS Group reported lower order intake in the first nine months of 2014. Despite the increase in new orders received by the DESMA companies, this also applies analogously to the Technology Business Unit.. The **order book** grew substantially in comparison with the previous year's figure and continues to ensure satisfactory capacity utilization over the remainder of the year 2014 as well.

Segment and **external sales** expanded thanks to the growth at KHS Group. The KDE Group, boosted by a recovery in the automotive sector's capital expenditure, and KDS also reported sales growth.

In the first nine months of 2014, the Technology Business Unit generated a presentable **profit before taxes** of € 13.2 million, delivering another appreciable increase compared with the previous year's period. At the KHS Group, a slight improvement in margins in the project business, flanked by contributions from the "Fit4Future" program, underpinned this gratifying trend. The KDE Group as well as KDS also contributed substantially to lifting the result.

The KHS Group continues to stringently pursue its streamlining measures geared toward achieving sustainable competitiveness and profitability. The "Fit4Future" program launched for this purpose back in 2011 comprises eleven profit-oriented components. It is aimed at streamlining the Group, lowering costs and enhancing the flexibility with which the volatile order intake is handled. In addition, the complexity is also to be reduced in the future by operational excellence throughout the manufacturing network and standardizing the global product program. The program has been supplemented by adding a further component dedicated to concerted personnel development for KHS employees, as well as to internal communication.

Industrial Participations / Consolidation

		Q3 2014	Q3 2013[1]	9M 2014	9M 2013[1]
Sales[2]	€ million	204.7	208.1	612.8	644.5
External sales	€ million	44.0	49.5	137.2	150.3
Earnings before taxes (EBT)	€ million	14.1	21.3	60.8	–11.1

[1] 2013 restated
[2] 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.

On September 30, 2014, the following companies were newly admitted to SZAG's group of consolidated companies, with retrospective effect as of January 1, 2014:

- Phoenix Immobilienverwaltungsgesellschaft mbH & Co. KG, Mülheim an der Ruhr (PHOI)
- RSE Projektentwicklungs-GmbH, Mülheim an der Ruhr (RSEPE)
- RSE Phoenix Holding GmbH, Mülheim an der Ruhr (PHOH)
- Phoenix Office Garden GmbH, Mülheim an der Ruhr (PHOG)
- Gewerbepark am Borsigturm GmbH, Mülheim an der Ruhr (GAB)
- RSE Falkenhagen GmbH, Mülheim an der Ruhr (RSEFH)
- RSE Projektmanagement Holding-Verwaltungs-GmbH, Mülheim an der Ruhr (RSEGGPM)
- RSE Projektmanagement Holding GmbH & Co. KG, Mülheim an der Ruhr (RSEPM)
- RSE Projektmanagement GmbH, Mülheim an der Ruhr (RSEPA)
- VPS Infrastruktur GmbH, Salzgitter (VPSI)
- Salzgitter Magnesium-Technologie GmbH, Salzgitter (SZMT)
- betterCALL GmbH, Salzgitter (BCG)
- NorthStar Telecom GmbH, Salzgitter (NST)
- Salzgitter Automotive Engineering Verwaltungsgesellschaft mbh, Osnabrück (SZAW)
- Salzgitter Automotive Engineering Immobilien Verwaltungsgesellschaft mbh, Osnabrück (SZEV)
- Salzgitter Mannesmann Personalservice GmbH, Mülheim an der Ruhr (SZMP)

In drawing a comparison with the previous year, account must be taken of the fact that the key data of the companies included in the consolidation group of SZAG in the third quarter of 2014, with retrospective effect as of January 1, 2014, are not considered in the first nine months of 2013. There would nonetheless be no significant change in the overall statement even if the companies were included in the year-earlier figures.

Sales of Industrial Participations / Consolidation that are generated mainly by business in semi-finished products and services provided to subsidiaries declined marginally to € 612.8 million (previous year: € 644.5 million). Reflecting the Group's overall sales trend, **external sales** stood at € 137.2 million, thereby falling short of the year-earlier level (€ 150.3 million).

Earnings before taxes came in at € 60.8 million, which is a clear return to the profit zone (first nine months of 2013: € –11.1 million). This improvement is especially attributable to earnings of € 42.4 million from the Aurubis investment. The Group companies that are not directly allocated to a business unit also made a notably positive contribution overall to earnings.

Financial Position and Net Assets

Explanations on the balance sheet

The **total assets** of the Salzgitter Group rose by € 328 million in the current reporting period compared with December 31, 2013.

Non-current assets (€ –30 million) declined above all due to negative effects from the annual results of the companies accounted for using the equity method in accordance with IFRS (€ –18 million), and as a consequence of scheduled depreciation of fixed assets. The growth in current assets (€ +358 million) resulted mainly from the higher level of trade receivables (€ +271 million), as well as securities and cash and cash equivalents (€ +78 million).

On the **liabilities side**, higher trade payables (€ +174 million) and other liabilities (€ +105 million), as well as financial liabilities (€ +87) in particular, caused current liabilities to rise (€ +369 million). As before, the equity ratio of 36.7 % remained at a sound level.

The **net credit balance** had decreased to € 270 million by the end of the reporting period (December 31, 2013: € 303 million). Cash investment, including securities, (€ 1.14 billion) were offset by liabilities of € 871 million (December 31, 2013: € 741 million), of which € 279 million (December 31, 2013: € 183.8 million) were owed to banks, while convertible and exchangeable bonds accounted for € 592 million, as before.

In the period up until August 22, 2014, the holders of the convertible bond issued in 2009 applied for repayment of € 239.2 million on October 6, 2014. A nominal amount of € 57.2 5 million of the bond is therefore due for repayment upon maturity as per October 6, 2016.

Notes to the cash flow statement

The **cash flow from operating activities** stood at € 339 million, thereby notably exceeding the previous years' figure (€ +174). This improvement is first and foremost attributable to the appreciably higher level of earnings before taxes.

Cash outflow from investing activities (€ –239 million) was due principally to disbursements for capital expenditure (€ –221 million) and cash investment (€ –26 million).

Dividend distribution (€ –11 million) as well as interest payments (€ –8 million) were more than compensated by loans granted (€ 28 million), and resulted in a **cash inflow from financing activities** of € 9 million.

Cash and cash equivalents climbed by € 114 million compared with December 31, 2013.

Investments

In the first nine months of the financial year 2014, **investments in property, plant and equipment and intangible assets** stood at € 185.2 million, which is below the figure recorded in the previous year's period (€ 218.2 million). Depreciation and amortization (€ –253.1 million) were lower than in the previous year (€ –437.0 million) that was affected by impairment of € 185.0 million at Peiner Träger GmbH (PTG).

The **Strip Steel Business Unit** not only invested in optimizing and extending its existing facilities, but also in new aggregates in the year 2014. To this end, the following projects were advanced in particular in the period under review:

In order to reduce metallurgy costs, the green light was given in 2013 for the construction of a coal grinding, drying and injection plant at **Salzgitter Flachstahl GmbH** (SZFG) that allows the substitution of oil and coke sourced externally by cheaper pulverized coal. The first ten construction stages of the plant's structural work were completed in the third quarter of 2014. Commissioning is scheduled for 2015.

The tandem mill was supplemented by an inlet system comprising strip storage and a welding machine. The investment permits partly continuous rolling, thereby optimizing both the mill's efficiency and the quality of the products produced. The project was completed according to plan.

The "Converter C Renewal" investment project entails enlarging the vessel by around 50 m^3 and improving the drive concept. The aim is to optimize output volumes while reducing operating costs. Summer saw engineering commence on the facilities that are to be taken into operation at the end of 2015.

The "ILG 2015" package of measures was completed at **Ilsenburger Grobblech GmbH** (ILG) that belongs to the **Plate / Section Steel Business Unit**, with all auxiliary items having been upgraded. Thanks to the major investment, the input volume of thick slabs (350 mm) can be more than doubled and the plate weight raised from 21 to 28 tons. In its investment activities, ILG's focus is currently on maintaining operational workflows, with individual projects implemented to improve the quality and optimize processes.

In the first nine months of 2014, the **Trading Business Unit** invested first and foremost in updating existing and acquiring new facilities. **Salzgitter Mannesmann Stahlhandel GmbH** (SMSD) has initiated several projects to expand the finishing capacities of the German stockholding steel trade. This includes extending the flame cutting operations in the Plochingen site, enlarging the warehouse capacity for the tubes business in the Mannheim location, and commissioning a powder coating facility in Hanover. In addition, new drilling and new conservation machines are to be commissioned at the Oosterhout site by the end of the year.

Capital expenditure in the **Energy Business Unit** concentrates mainly on replacement and supplementation measures in the current financial year. For instance, the extension of the extrusion press at the Montbard mill of the **Salzgitter Mannesmann Stainless Tubes Group** (MST Group) marks the laying of the cornerstone for expanding the product portfolio by adding stainless steel tubes in larger dimensions in the medium term.

The **Technology Business Unit** continues to focus on replacement and streamlining measures geared to promoting the sustainable competitiveness of the **KHS Group**. Process optimizations are to be achieved through IT projects currently being carried out in Germany and at the international companies. 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 standardized to a high degree. Implementation is being carried out in close coordination with the Customer Relationship Management (CRM) system. The first machine reconfigurations were completed in 2013 and the KHS product portfolio is to have been mapped in the "product configurator" by the end of 2014. Emulating the successful approach to lean manufacturing adopted in the Kleve plant, continuous production is currently being implemented at the Worms and Bad Kreuznach plants to reduce assembly times and logistic costs, on the one hand, while raising productivity, on the other.

Research and Development

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

Outstanding resource efficiency: belt casting technology and HSD® steel

With the deployment of belt casting technology, the Salzgitter Group is investing in the energy- and resource-conserving steel production of the future as part of a project funded by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety. The new pilot facility of Salzgitter Flachstahl GmbH (SZFG) at the Peine site has successfully passed warm commissioning and is now at the break-in stage, with more than seventy-five casts of construction steels and steels with a high manganese content already performed. In the downstream process steps, the 1,000 mm wide and 15 mm thick strip casting material is already undergoing initial hot rolling trials. The emphasis of the work to be performed lies on the production of new high manganese content lightweight construction steels, such as HSD® steel that displays high strength combined with highformability. Excellent progress has been made with numerous customer projects dedicated to analyzing the potential of this material in 2014 as well. Studies in different sub-segments of industry were conducted on the basis of forming, welding and simulation technology. Various prototype components made of HSD® steel have already been cast and successfully tested. Owing to the innovative nature and its resource conserving potential, this belt casting technology has been nominated for the "Deutscher Zukunftspreis", the German President's Award for Innovation in Science and Technology that will be bestowed on November 19, 2014.

Hot-dipped galvanized dual-phase steel (DP steel) with properties that excel

SZMF has developed a hot-dipped galvanized DP steel that excels through its superior forming properties, as evidenced by its hole expansion capability, a performance criterion that is playing an increasingly important role, particularly in the automotive industry. This capability is ascertained through an experiment in which a conical expanding tool is forced into a pre-punched hole to see how far the hole will widen. SZFG is the first steel producer to guarantee hole expansion capabilities of up to 50%, and thus a particularly high edge cracking insensitivity. SZFG offers hot-dipped galvanized DP steel up to 3 mm thick and 1800 mm wide under the name of xpand®.

Heavy plate for mild sour gas requirements

Plate that is used to manufacture line pipes for the transport of media containing hydrogen sulphide, such as oil and gas, has to fulfill particular specifications. Proof must be produced specifically of resistance against hydrogen-induced cracking, depending on the hydrogen sulphide concentration and the pH value. The conventional testing method is expensive and time consuming. SZMF has developed a modified testing procedure especially for mild sour gas applications that has been verified on large-diameter tubes. This test offers customers a significantly accelerated and more cost-effective option for qualification.

Optimum can filling

The computer controlled Innofill Can DVD achieves a filling capacity of up to 120,000 cans with volumes of between 0.1 and 1 liter per hour for various non-carbonated and carbonated beverages. The can rims are sealed under aseptic conditions. The newly developed low pressure can purging process is especially advantageous: With 0.5 liter cans, this innovative purging procedure can reduce CO_2 consumption by up to 20% and the residual oxygen content in the bottled product by up to 50%. In addition, the development of the first no-front-table can filler also cuts down on maintenance costs by dispensing with mechanical drives.

Employees

	2014/09/30	2013/12/31[1]	+/–
Core workforce[2]	**23,623**	**23,446**	**177**
Strip Steel Business Unit	6,226	6,292	–66
Plate / Section Steel Business Unit	3,104	3,230	–126
Energy Business Unit	4,996	5,016	–20
Trading Business Unit	1,900	1,844	56
Technology Business Unit	4,902	4,731	171
Industrial Participations / Consolidation	2,495	2,333	162
Apprentices, students, trainees	1,607	1,568	39
Non-active age-related part-time employment	530	680	–150
Total workforce	**25,760**	**25,694**	**66**

[1] 2013 restated
[2] Excluding the members of executive and non-executive bodies

The **core workforce** of the Salzgitter Group came to 23,623 employees on September 30, 2014, representing an addition of 177 staff members since December 31, 2013. The comparable figure was adjusted to take account of the Group's new structure and already includes the effects from the proportionate initial consolidation of Hüttenwerke Krupp Mannesmann GmbH (HKM) with 894 employees and from the proportionate deconsolidation of the EUROPIPE Group (EP) with 612 employees. This adjustment was carried out with the aim of facilitating comparison with the figures of the current 2014 financial year.

The increase is attributable to the initial consolidation of various group companies as of September 30, with retrospective effect on January 1, 2014, under which a total of 340 employees were recorded in the personnel statistics for the first time. If these numbers are excluded, the core workforce would have declined by 163 persons since the start of the year, influenced in particular by the signing of severance agreements and expired temporary contracts. Since January 1 of this year, 310 trainees have been hired, 220 of whom were given temporary contracts.

The **total workforce** comprised 25,760 employees.

The number of **temporary staff** stood at 1,169 on September 30, representing an increase of 28 persons compared with the year-earlier figure that was adjusted to accommodate consolidation effects in 2014.

The implementation of the personnel-related effects identified under our "Salzgitter AG 2015" streamlining program is generally progressing according to plan. As of September 30, 2014, 70% of the entire personnel adjustments that concentrated mainly on Peiner Träger GmbH (PTG) and Salzgitter Mannesmann Precision Group (SMP Group) had been carried out. Apart from the personnel adjustments realized under "Salzgitter AG 2015", the following personnel-related effects also deserve a mention: The number of employees working for international KHS companies has risen in parallel with the expansion of the business line and in accordance with the strategic realignment. The positive development in capacity utilization at Salzgitter Mannesmann Stainless Tubes Group (MST Group) also necessitated hiring additional staff.

Guidance, Opportunities and Risk Report

The following guidance was compiled on the basis of the new Group organization structure that took effect on January 1, 2014. Guidance on the development of the macroeconomic situation is already fundamentally subject to a great deal of uncertainty, particularly in the current environment prevailing in Europe. The forward-looking statements below on the individual business units assume the absence of renewed recessionary development in Europe.

The **Strip Steel Business Unit** anticipates a seasonally-induced decline in its business volume over the remainder of the financial year. In conjunction with still unsatisfactory selling prices, sales are expected to be lower than in 2013. The decline in the costs of raw materials and natural gas, as well as better capacity utilization, should, however, result in a marked improvement in the pre-tax result that will nonetheless remain negative.

There is still no evidence of a sustained recovery in the section steel industry. Inquiries from steel construction are running at a low level, and projects are awarded at extremely short notice. By contrast, the plate business reports a moderately positive market development. In comparison with 2013, the **Plate / Section Steel Business Unit** expects a downturn in sales, as well as a significant reduction in pre-tax loss, also due to the full implementation of the 1 Million Ton Concept in Peine.

Considering that the capacity utilization situation in the Mülheim mill of EUROPIPE, a company included at-equity, eased considerably when production on the major South Stream contract commenced, the situation of the US companies is also set to improve as from the fourth quarter due to the ETC Rover pipeline project. The other German mills in the line pipe segment report a minor improvement in capacity utilization. The precision tubes group anticipates a slight decline in volumes in the final quarter. The healthy development reported by the stainless steel tubes over the course of the year to date is also likely to hold steady in the final months. All in all, the **Energy Business Unit** expects a notable increase in the pre-tax result, that will nonetheless remain negative, compared with 2013.

The **Trading Business Unit** anticipates that its overall business volume will remain below the previous year's volume in the current financial year. Against the backdrop of stagnating prices, the pre-tax result is also likely to fall short of the previous year's level. Despite shipment growth, the stockholding steel trade forecast a virtually stable result owing to margins, whereas international trading is expecting the result to remain satisfactory, as before, despite the downtrend in volumes.

The **Technology Business Unit** anticipates an increase in sales and a higher result on the back of good capacity utilization. Along with the KHS-Group, the generally positive prospects of the other companies will also be a contributing factor.

Not least due to the fact that production and shipment volumes are always lower at year-end, the fourth quarter is likely to be weaker than the earnings trend in the previous quarters. Nonetheless, based on planning by the individual business units, and taking account of notable successes from measures implemented, as well as structural improvements from the "Salzgitter AG 2015" groupwide program, the Salzgitter Group affirms its earnings guidance so far for the year. We have revised our sales guidance downward to take account of declines in rolled steel selling prices caused by lower raw materials prices as well as the downturn in shipment volumes.

Net of non-recurrent effects in the context of drawing up the annual accounts, we now assume the following for the financial year 2014:

- **sales** of around € 9 billion
- a significant increase in the **pre-tax result**, approaching breakeven, compared with the financial year 2013 and
- another moderately positive **return on capital employed**.

Guidance on the development of the macroeconomic situation is already fundamentally subject to a great deal of uncertainty, particularly in the current environment prevailing in Europe. As in recent years, we make reference to the fact that **opportunities and risks** from currently unforeseeable trends in selling prices, input material prices and capacity level developments, as well as changes in the currency parity, may considerably affect performance in the course of the financial year 2014. Additional positive or negative effects may arise from structural or methodological changes. This includes in particular measurement pursuant to IFRS standards. The resulting fluctuation in the consolidated pre-tax result may be within a considerable range, either to the positive or to the negative.

Risk management

With regard to the individual **opportunities and risks**, we make reference to the Annual Report 2013. At the time of reporting there were no risks which could endanger the Salzgitter Group as a going concern.

As regards risks arising from strained market conditions, including the volatility of raw material prices, especially for iron ore and coking coal, the effects on the results of the companies have been factored in to the extent they can be estimated.

A price agreement geared more strongly to the spot market price has been agreed for the new contractual year (April 2014 through March 2015) on a quarterly basis has been signed with one ore supplier from which a significant volume is traditionally sourced. Contracts with the market leader for coking coal are defined monthly. This affects around one quarter of the volume purchased by Salzgitter AG (SZAG). From today's standpoint, we do not anticipate any fundamental change in the Group's risk position from this front.

The Salzgitter Group strongly emphasizes at all political levels the great significance of exemptions from the general apportionment regulations applicable under the German Renewable Energies Act (EEG) for the electricity intensive industry in Germany and its jobs. In December 2013, the EU Commission opened a state aid investigation against the Federal Republic of Germany in connection with the EEG. Among other issues, this investigation raises the question of whether capping the EEG apportionment, particularly in conjunction with the 2012 amendment to the act, for manufacturing companies complies with EU regulations on state aid. A number of companies belonging to the Salzgitter Group with their energy-intensive production processes have so far been limited as regards the amount of the levy through a special equalization scheme under the Renewable Energies Act. In the event of being called upon to pay a higher EEG levy, these companies would be threatened by a significant deterioration in their competitiveness compared with other market players that do not have to bear these additional burdens. The Group companies of SZAG that are affected took the opportunity of submitting a statement to the EU Commission, emphasizing compatibility with EU legislation on state aid and stressing the consequences of raising levies under the EEG. Furthermore, in order to safeguard their legal interests, they have taken the precaution of bringing an action for annulment against the European Commission's aid decision, together with the German steel Association and other steel companies. In view of the new environmental and energy aid directives meanwhile ratified by the EU Commission, the advanced process of reconciliation between the German government and the EU Commission, and the EEG amendment that entered into force on August 11, 2014, we anticipate a notably lower increase in burdens than originally feared. However, the possibility of individual Group companies being obliged to make back payments for apportionments saved in the years 2013/14 should not be excluded. At present, we do not have any detailed insights. The issue of the burden concerning the consumption of electricity by industry has recently also been addressed by the EU Commission, with the result that exemption from apportionment for existing plants, such as our power plants in Salzgitter, has been made subject to an evaluation proviso in 2017.

Events of Significance

"Salzgitter AG 2015" – implementation of measures on track

In a market environment determined by the structural crisis in Europe's steel industry, the "Salzgitter AG 2015" program is geared to securing the Salzgitter Group's competitiveness. As before, the implementation of the package of measures yielding an overall potential of more than € 200 million remains within the time horizon originally envisaged. By the end of 2014, more than half the measures are likely to have been realized. Special contributions to sustainably improving the results will be made by the goal-oriented and swiftly implemented restructuring program of Peiner Träger GmbH (PTG) and the precision tubes group, as well as KHS's "Fit4Future" program. Similarly, the service companies reported significant progress. The construction work on the coal grinding, drying and injection plant is proceeding according to plan. The commissioning of the plant in 2015 will substantially reduce metallurgy costs.

Moreover, measures beyond the "Salzgitter AG 2015" program that take account of long-term market developments are extensively examined and brought to the implementation stage, with the aim of sustainably stabilizing profit.

EUROPIPE France SA (EPF), a wholly-owned subsidiary of EUROPIPE GmbH (EP), has commenced the process of restructuring the company against the backdrop of long-standing and considerable economic problems. In this context, EPF management initiated the procedure provided for under French law of informing and consulting the Works Council on the commercial reasons for the planned restructuring on September 30, 2014. The Dunkirk based company has a workforce of 160 employees.

European Parliament tightens up on emissions trading

SZAG takes a critical view of the resolutions passed by the European Council on October 23 on regulating emissions trading through to 2030: on the one hand, sub-categorizing the rules, particularly in respect of the annual reduction coefficient, would also burden the steel industry with considerable additional costs which our competitors outside Europe do not have to contend with. On the other, the commitments on the protection of Europe's energy-intensive industry to prevent carbon leakage have not been specified in sufficient detail. Even the most efficient plants in Europe would be faced with additional costs in emissions trading that would be detrimental to competitiveness. SZAG does not consider retaining a more stringent approach – at least in part – to today's regulations on the free allocation of emission allotments through to 2030 as expedient in effectively and sustainably counteracting the threat of relocating production capacities of the basic materials industry away from the EU.

Interim Income Report

I. Consolidated Income Statement

In € million	Q3 2014	Q3 2013[1)]	9M 2014	9M 2013[1)]
Sales	2,262.2	2,306.3	6,811.5	7,279.3
Increase/decrease in finished goods and work in process/other own work capitalized	0.6	–75.0	4.8	–160.2
	2,262.9	**2,231.3**	**6,816.3**	**7,119.1**
Other operating income	60.1	32.0	191.8	114.0
Cost of materials	1,565.6	1,630.1	4,786.2	5,163.3
Personnel expenses	404.8	387.5	1,181.9	1,160.1
Amortization and depreciation of intangible assets and property, plant and equipment	84.3	75.3	253.1	437.1
Other operating expenses	233.3	223.2	717.2	730.5
Income from shareholdings	4.1	0.6	9.5	8.7
Profit or loss of associates and joint ventures accounted for using the equity method	–4.6	1.1	–6.5	–59.1
Finance income	5.3	11.3	22.4	26.7
Finance expenses	30.1	25.1	89.7	84.2
Earnings before taxes (EBT)	**9.7**	**–64.8**	**5.5**	**–365.6**
Income tax	6.0	2.3	17.7	17.1
Consolidated net income/loss	**3.8**	**–67.0**	**–12.2**	**–382.7**
Appropriation of profit				
Consolidated net income/loss	3.8	–67.0	–12.2	–382.7
Profit carried forward from the previous year	–	–	12.1	15.1
Minority interests in consolidated net loss/income for the year	1.0	0.6	2.9	2.7
Dividend payment	–	–	–10.8	–13.5
Transfer from (+)/to (–) other retained earnings	–2.8	67.6	15.1	385.3
Unappropriated retained earnings	**–**	**–**	**1.3**	**1.5**
Basic earnings per share (in €)	**0.05**	**–1.26**	**–0.28**	**–7.13**
Diluted earnings per share (in €)	**0.05**	**–1.26**	**–0.28**	**–7.13**

[1)] 2013 restated

II. Statement of Comprehensive Income

In € million	Q3 2014	Q3 2013[1)]	9M 2014	9M 2013[1)]
Consolidated net income/loss	**3.7**	**– 67.0**	**– 12.2**	**– 382.7**
Recycling				
Changes in currency translation	11.5	– 5.2	13.0	– 8.1
Change in value from hedging transactions				
Changes in current value recorded directly in equity	– 14.6	– 2.3	– 27.2	1.1
Recognition of sale of securities with effect on income	0.1	– 1.8	–	– 1.5
Changes in the value of financial assets in the "held-for-sale assets" category recorded directly in equity				
Changes in current value recorded directly in equity	0.9	0.0	1.9	0.0
Recognition from the sale of securities with effect on income	–	–	–	–
Adjustment from associates and joint ventures accounted for using the equity method	1.4	– 1.4	1.3	– 2.4
Deferred taxes on changes without effect on income	– 0.7	0.7	– 1.3	0.3
Subtotal	**– 1.5**	**– 9.8**	**– 12.2**	**– 10.7**
Non-recycling				
Remeasurement of pensions	– 3.1	–	– 3.1	–
Adjustment from associates and joint ventures accounted for using the equity method	–	–	–	–
Deferred taxes on changes without effect on income	–	–	–	–
Subtotal	**– 3.1**	**–**	**– 3.1**	**–**
Other comprehensive income	**– 4.6**	**– 9.8**	**– 15.4**	**– 10.7**
Total comprehensive income	**– 0.9**	**– 76.8**	**– 27.5**	**– 393.4**
Total comprehensive income due to Salzgitter AG shareholders	– 1.9	– 77.5	– 30.4	– 396.4
Total comprehensive income due to minority interests	1.0	0.7	2.8	3.0
	– 0.9	**– 76.8**	**– 27.5**	**– 393.4**

[1)] 2013 restated

III. Consolidated Balance Sheet

Assets in € million	2014/09/30	2013/12/31[1]	2013/01/01[1]
Non-current assets			
Intangible assets	107.7	116.7	114.9
Property, plant and equipment	2,435.8	2,438.0	2,608.4
Investment property	21.6	21.3	22.8
Financial assets	174.5	180.9	168.9
Investments accounted for using the equity method	615.1	632.7	736.9
Deferred income tax assets	231.0	226.1	247.7
Other receivables and other assets	6.1	6.4	4.8
	3,591.8	**3,622.1**	**3,904.5**
Current assets			
Inventories	1,958.8	1,972.5	2,103.0
Trade receivables	1,745.5	1,474.7	1,611.6
Other receivables and other assets	332.9	311.6	471.8
Income tax assets	17.8	15.5	28.5
Securities	62.0	98.4	132.5
Cash and cash equivalents	869.1	754.9	860.5
	4,986.1	**4,627.7**	**5,207.9**
	8,577.9	**8,249.8**	**9,112.4**

Equity and liabilities in € million	2014/09/30	2013/12/31[1]	2013/01/01[1]
Equity			
Subscribed capital	161.6	161.6	161.6
Capital reserve	238.6	238.6	238.6
Retained earnings	3,108.9	3,136.2	3,590.1
Unappropriated retained earnings	1.3	12.1	15.1
	3,510.4	**3,548.5**	**4,005.4**
Treasury shares	–369.7	–369.7	–369.7
	3,140.7	**3,178.8**	**3,635.7**
Minority interests	8.2	8.1	8.2
	3,148.9	**3,186.9**	**3,643.9**
Non-current liabilities			
Provisions for pensions and similar obligations	2,105.7	2,120.2	2,234.7
Deferred tax liabilities	48.5	49.3	54.5
Income tax liabilities	145.6	149.1	193.5
Other provisions	314.7	318.8	289.8
Financial liabilities	416.7	397.2	664.8
	3,031.3	**3,034.5**	**3,437.2**
Current liabilities			
Other provisions	347.0	324.8	327.8
Financial liabilities	508.7	422.2	201.7
Trade payables	1,022.8	849.3	966.7
Income tax liabilities	37.3	55.8	55.4
Other liabilities	481.9	376.3	479.8
	2,397.7	**2,028.4**	**2,031.3**
	8,577.9	**8,249.8**	**9,112.4**

[1] 2013 restated

IV. Cash Flow Statement

In € million	9M 2014	9M 2013[1)]
Earnings before taxes (EBT)	5.5	–365.6
Depreciation, write-downs (+)/write-ups (–) of fixed assets	253.1	437.1
Income tax refunded (+)/paid (–)	–43.0	–39.4
Other non-cash expenses (+)/income (–)	76.5	169.2
Interest expenses	89.4	83.7
Gain (–)/loss (+) from the disposal of non-current assets	1.6	–2.2
Increase (–)/decrease (+) in inventories	32.9	212.6
Increase (–)/decrease (+) in trade receivables and other assets not attributable to investment or financing activities	–222.1	–36.2
Use of provisions affecting payments, excluding income tax provisions	–171.8	–191.5
Increase (+)/decrease (–) in trade payables and other liabilities not attributable to investment or financing activities	317.2	–94.0
Cash outflow/inflow from operating activities	**339.4**	**173.5**
Cash inflow from the disposal of fixed assets	7.0	8.6
Cash outflow for investments in intangible assets and property, plant and equipment	–220.8	–219.9
Cash inflow (+)/outflow (–) for/from investments of funds	–25.5	–29.6
Cash inflow from the disposal of financial assets	9.7	3.4
Cash outflow for investments in financial assets	–9.2	–33.5
Cash flow from investment activities	**–238.8**	**–270.9**
Cash outflow in payments to company owners	–10.8	–13.5
Cash inflow (+)/outflow (–) as a result of the issuing of bonds, borrowings and other financial liabilities	27.5	–19.2
Interest paid	–7.9	–11.0
Cash outflow/inflow from financing activities	**8.7**	**–43.7**
Cash and cash equivalents at the start of the period	754.9	860.5
Cash and cash equivalents relating to changes in the consolidated group	2.5	3.5
Gains and losses from changes in foreign exchange rates	2.3	–4.1
Payment-related changes in cash and cash equivalents	109.4	–141.1
Cash and cash equivalents at the end of the period	**869.1**	**718.8**

[1)] 2013 restated

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 2012/12/31[1)]	**161.6**	**238.6**	**– 369.7**	**4,197.9**	**– 6.2**
Initial consolidation of affiliated companies so far not consolidated due to materiality reasons	–	–	–	– 1.7	–
Total comprehensive income	–	–	–	– 0.3	– 8.1
Dividend	–	–	–	–	–
Group transfers to(+)/from(–) retained earnings	–	–	–	– 385.3	–
Other	–	–	–	0.3	–
As of 2013/09/30[1)]	**161.6**	**238.6**	**– 369.7**	**3,810.9**	**– 14.3**
As of 2013/12/31 [1)]	**161.6**	**238.6**	**– 369.7**	**3,694.5**	**– 17.9**
Initial consolidation of affiliated companies so far not consolidated due to materiality reasons	–	–	–	2.0	–
Total comprehensive income	–	–	–	0.1	13.0
Dividend	–	–	–	–	–
Group transfers to(+)/from(–) retained earnings	–	–	–	– 15.1	–
Other	–	–	–	– 0.1	–
As of 2014/09/30	**161.6**	**238.6**	**– 369.7**	**3,681.4**	**– 4.9**

[1)] 2013 restated

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
– 3.1	**– 12.0**	**– 586.5**	**15.1**	**3,635.7**	**8.2**	**3,643.9**
–	–	1.3	–	– 0.4	–	– 0.4
– 0.5	0.0	– 2.1	– 385.4	– 396.4	3.0	– 393.4
–	–	–	– 13.5	– 13.5	–	– 13.5
–	–	–	385.3	–	–	–
–	–	– 2.2	–	– 1.8	– 3.2	– 5.0
– 3.6	**– 12.0**	**– 589.4**	**1.5**	**3,223.6**	**8.0**	**3,231.6**
– 2.1	**– 11.3**	**– 527.0**	**12.1**	**3,178.8**	**8.1**	**3,186.9**
–	–	0.2	–	2.2	0.0	2.2
– 27.2	1.9	– 3.1	– 15.0	– 30.4	2.8	– 27.5
–	–	–	– 10.8	– 10.8	–	– 10.8
–	–	–	15.1	–	–	–
–	–	0.9	–	0.8	– 2.7	– 1.9
– 29.3	**– 9.4**	**– 529.0**	**1.3**	**3,140.7**	**8.2**	**3,148.9**

Notes

Segment Reporting[1)]

In € million	Strip Steel		Plate / Section Steel		Energy	
	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013
External sales	1,607.9	1,572.2	845.1	846.2	939.3	1,019.8
Sales to other segments	539.5	649.8	573.1	675.3	103.5	345.4
Sales to Group companies that cannot be allocated to an operating segment	1.0	3.6	0.7	0.8	234.5	33.5
Segment sales	2,148.4	2,225.5	1,418.8	1,522.3	1,277.4	1,398.7
Interest income (consolidated)	2.3	0.6	0.1	0.1	0.6	0.5
Interest income from other segments	–	–	0.0	0.0	–	–
Interest income from Group companies that cannot be allocated to an operating segment	0.1	6.9	–	–	0.6	0.4
Segment interest income	2.4	7.5	0.1	0.1	1.2	0.9
Interest expenses (consolidated)	14.2	16.2	3.0	3.5	7.7	3.8
Interest expenses of other segments	–	–	–	–	–	–
Interest expenses to Group companies that cannot be allocated to an operating segment	27.6	36.8	12.9	27.1	5.8	7.6
Segment interest expenses	41.7	53.0	15.8	30.6	13.5	11.4
of which interest portion of allocations to pension provisions	11.3	11.3	2.8	2.6	4.9	2.6
Depreciation/amortization of tangible and intangible fixed assets	126.4	131.0	40.7	228.3	41.6	34.6
of which scheduled depreciation of property, plant and equipment and amortization of intangible assets	126.4	131.0	40.7	43.3	41.6	34.6
EBIT before depreciation and amortization (EBITDA)	161.8	127.2	–3.7	–55.0	33.4	21.5
EBIT	35.4	–3.8	–44.3	–283.3	–8.2	–13.1
Segment earnings before taxes (EBT)	–3.9	–49.3	–60.1	–313.8	–20.5	–23.7
of which income from associated companies	–	–	–	–	–20.4	–20.8
Investments in property, plant and equipment and intangible assets	80.7	91.7	28.0	45.1	33.2	43.5

[1)] 2013 restated

Trading		Technology		Total segments		Industrial Participations / Consolidation		Group	
9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013
2,404.8	2,867.2	877.2	823.6	6,674.2	7,129.0	137.2	150.3	6,811.5	7,279.3
72.7	39.8	0.4	0.4	1,289.3	1,710.7	475.6	494.2	1,764.8	2,204.9
0.0	0.0	–	–	236.2	37.9	–	–	236.2	37.9
2,477.6	2,907.1	877.6	824.0	8,199.7	8,877.6	612.8	644.5	8,812.5	9,522.1
3.5	5.1	2.2	2.8	8.7	9.0	11.4	12.3	20.0	21.3
–	0.0	–	0.0	0.0	0.0	70.3	68.1	70.3	68.1
0.0	0.1	0.0	0.0	0.7	7.4	–	–	0.7	7.4
3.5	5.2	2.2	2.8	9.4	16.5	81.6	80.3	91.0	96.8
5.6	6.7	2.8	3.2	33.2	33.4	56.2	50.3	89.4	83.7
0.0	0.0	–	–	0.0	0.0	–8.7	28.9	–8.7	28.9
6.0	5.2	0.6	0.6	52.8	77.2	–	–	52.8	77.2
11.6	12.0	3.4	3.7	86.0	110.7	47.5	79.2	133.5	189.9
2.2	2.0	2.4	2.4	23.7	20.9	26.1	24.2	49.8	45.1
6.8	7.1	18.5	18.1	234.0	419.0	19.1	18.0	253.1	437.0
6.8	7.1	18.5	18.1	234.0	234.0	19.1	18.0	253.1	252.0
31.0	41.4	32.8	23.7	255.3	158.8	72.6	–24.9	328.0	133.9
24.2	34.3	14.3	5.6	21.3	–260.3	53.6	–42.9	74.9	–303.1
16.1	27.6	13.2	4.7	–55.3	–354.5	60.8	–11.1	5.5	–365.6
–	–	–	–	–20.4	–20.8	13.9	–38.2	–6.5	–59.1
5.5	7.7	14.5	13.6	161.9	201.6	23.3	16.6	185.2	218.2

Principles of accounting consolidation, sheet reporting and valuation methods

1. The consolidated financial report of Salzgitter AG, Salzgitter (SZAG), for the reporting period from January 1 to September 30, 2014, has been prepared as a condensed report with selected notes. The report has been drawn up, as before, in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) in consideration of the requirements set out under IAS 34 for condensed interim reports.
2. In comparison with the annual financial statements as at December 31, 2013, no changes have been made in the accounting, valuation, calculation and consolidation methods applied to the interim financial statement for the period ended September 30, 2014, apart from the following exception. As of the start of this financial year, the amended version of IFRS 11 had the following effect on the Salzgitter Group: The EUROPIPE Group (EP Group) is now included at equity, as opposed to Hüttenwerke Krupp Mannesmann GmbH (HKM), where pro-rata consolidation has been applied. Before this date, the EP Group was reported proportionately and the at-equity method applied to HKM.
3. The following companies were fully consolidated for the first time, with retrospective effect as of January 1, 2014:

- Phoenix Immobilienverwaltungsgesellschaft mbH & Co. KG, Mülheim an der Ruhr (PHOI)
- RSE Projektentwicklungs-GmbH, Mülheim an der Ruhr (RSEPE)
- RSE Phoenix Holding GmbH, Mülheim an der Ruhr (PHOH)
- Phoenix Office Garden GmbH, Mülheim an der Ruhr (PHOG)
- Gewerbepark am Borsigturm GmbH, Mülheim an der Ruhr (GAB)
- RSE Falkenhagen GmbH, Mülheim an der Ruhr (RSEFH)
- RSE Projektmanagement Holding-Verwaltungs-GmbH, Mülheim an der Ruhr (RSEGG)
- RSE Projektmanagement Holding GmbH & Co. KG, Mülheim an der Ruhr (RSEPM)
- RSE Projektmanagement GmbH, Mülheim an der Ruhr (RSEPA)
- VPS Infrastruktur GmbH, Salzgitter (VSPI)
- Salzgitter Magnesium-Technologie GmbH, Salzgitter (SZMT)
- betterCALL GmbH, Salzgitter (BCG)
- NorthStar Telecom GmbH, Salzgitter (NST)
- Salzgitter Automotive Engineering Verwaltungsgesellschaft mbh, Osnabrück (SZAW)
- Salzgitter Automotive Engineering Immobilien Verwaltungsgesellschaft mbh, Osnabrück (SZEV)
- Salzgitter Mannesmann Personalservice GmbH Mülheim an der Ruhr (SZMP)
- BSH Braunschweiger Schrotthandel GmbH, Braunschweig (BSH)
- Salzgitter Mannesmann (France) S.A.R.L., Saint Mandé (SMFR)
- Salzgitter Mannesmann (UK) Ltd., Harrogate (SMUK)
- Salzgitter Mannesmann (Espana) S.A., Madrid (SMSP)
- KHS UK Ltd., Solihull (KHSGB)
- Klöckner Holstein Seitz S.A., Sant Cugat del Valles (KHSSP)
- KHS Skandinavien ApS, Albertslund (KHSDK)
- KHS Ukraine OOO, Kiev (KHSUK)

The effect of these initial consolidations is considered immaterial overall.

Selected explanatory notes to the income statement

1. Sales by division are shown in the segment report.
2. Earnings per share are calculated in accordance with IAS 33. Basic earnings per share, calculated from the weighted number of shares of SZAG, came to € –0.28 in the period under review. Dilution would occur if earnings per share were reduced through the issuance of potential shares from option and conversion rights. Such rights, attached to a convertible bond, existed as of the 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 € –0.28.

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 a convertible bond and a bond exchangeable into shares at amortized cost.

The calculation of fair value disclosures for assets and liabilities not accounted for applying fair value is always carried out by discounting future cash flows. In this instance, a term-dependent interest rate was applied that reflected the risk-free rate and the default risk derived from a peer group of the Salzgitter Group. In deviation here from, the fair value (€ 305.0 million) of a bond issued was calculated. 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 bond and exchangeable bond	
	2013/12/31	2014/09/30
Book value	569.4	584.3
Fair value	599.5	603.9

Related party disclosures

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

All business transactions with related companies are conducted on terms that also customarily apply among third parties (arm's length). The deliveries and services 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/ - 30/09/2014	01/01/ - 30/09/2014	2014/09/30	2014/09/30
EUROPIPE Group	147.7	4.2	62.2	0.3

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.

Financial Calendar 2014/2015

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	Analysts' Conference in Frankfurt am Main
March 31, 2015	Analysts' 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 Analysts' Conference in Frankfurt am Main
August 14, 2015	Analysts' Conference in London
November 12, 2015	Interim report on the first nine months 2015

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 (SZAG) is also available in German. In the event of any discrepancy, the German version shall prevail.

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